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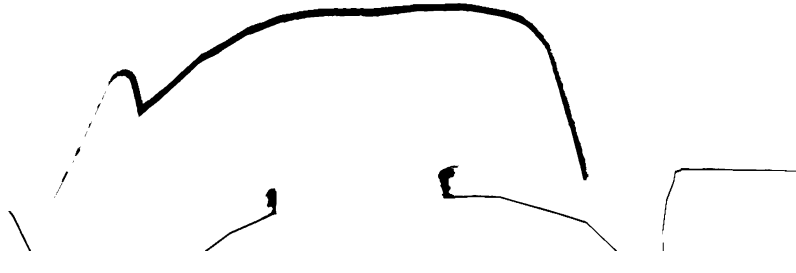

A

TREATISE

ON THE

4147.

PRINCIPLES AND PRACTICAL INFLUENCE

OF

TAXATION

AND

THE FUNDING SYSTEM.

BY J. R. M^cCULLOCH, Esq.

FOREIGN ASSOCIATE OF THE INSTITUTE OF FRANCE.

THE THIRD EDITION,

REVISED, CORRECTED, AND IMPROVED.

"Neque quies gentium, sine armis; neque arma, sine stipendiis; neque stipendia sine tributis haberi queunt." TACITI HIST., iv. 74.

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PREFACE

TO

THIS EDITION.

THE second edition of this work was published ten years ago. During the intervening period, the theory of taxation has been further inquired into; the income-tax has been the theme of numerous and lengthened discussions and investigations; and great changes have been effected in our commercial policy, and in that of surrounding countries. In endeavouring to profit by the additional information which has been thus afforded, we have subjected every part of our work to a careful revision: and being to a great extent rewritten it has, in its present form, more of the character of a new treatise than of a revised edition of an old one. The doctrines embodied in it continue, indeed, to be nearly the same as formerly; but we would fain hope that they have been set in a clearer light; that the groundlessness of the objections made against them has been rendered more obvious; and that the principles and practical operation of the more important taxes and schemes of taxation have been better elucidated.

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Of late years our taxation has been much changed, though it may be doubted whether it has been to any great extent improved. The income-tax was introduced by Sir Robert Peel, partly to raise the revenue to an equality with the expenditure, and partly to enable him to modify and abolish various customs and excise duties. He undertook this difficult task with that considerate boldness by which his policy was generally distinguished; and, on the whole, the changes he effected have been highly advantageous. But it is difficult, when engaged in such a course, to keep within safe limits. In a few instances Sir Robert Peel appears, notwithstanding his characteristic caution, to have reduced and repealed taxes against which no good objection could be urged; and hence the necessity under which he found himself of resorting to the expedient, so apt to be followed, of renewing the income-tax. Since his administration, the policy which he inaugurated, and which, when properly restricted, deserves every commendation, has been carried to what appears to be a dangerous extreme. With the exception, indeed, of the house-tax, which has been revived in a very contracted shape, and of the *quasi* extension of the succession duties to real property, little has been done except to narrow the basis of taxation left by Sir Robert Peel. In the course of this volume we have stated the grounds on which we venture to think

that it would have been a better as well as a safer policy had we retained or widened that basis.

We regret that the doctrines advanced in this book should be in many respects at variance with the financial policy which this country has followed for some years past. To censure measures that have been approved by Parliament, and to some extent also by the public, may, we fear, appear rather presumptuous. But their judgments, though entitled to the utmost respect, are sometimes founded on incomplete or erroneous information, and are liable to be greatly biassed by evanescent and accidental circumstances. It is known to everybody, that even in recent times, such has often been the case with parliamentary proceedings; and there appear to be sufficient grounds for thinking that such has been the case in this instance. But, however this may be, the matters involved in this inquiry are of national importance and deserve farther and careful consideration. We can truly say that we have endeavoured to treat them on their own merits. The conclusions to which we have come have not been dictated or influenced by anything extrinsic. They have been derived from what appear to be well-established principles; and are, in fact, the only conclusions to which, treating the subject as it should be treated, solely on public grounds and in a scientific and general point of view, it seems possible to come.

We, however, readily admit that in matters so complicated and difficult, it is hardly possible, even for the most cautious inquirers, to avoid falling into errors. Full and free discussion is the only means by which the truth, either as regards this or any other subject, can be discovered and elucidated. To that ordeal we submit this work. Though it should be found that the principles it contains are unsound, or the conclusions drawn from them erroneous, the discussion will, at all events, contribute to the progress and improvement of political science; while, if they cannot be successfully impugned, they may help to extinguish some dangerous heresies, and to facilitate the adoption of measures consistent with a sound and safe system of finance, and fitted to promote the public well-being.

London, March, 1863.

PREFACE

TO

THE FIRST EDITION.

CONSIDERING the importance of taxation, both as regards the interest of the public and of individuals, it appears singular that it should have been the subject of but few publications. The policy of particular taxes has, indeed, frequently engaged the attention of the legislature, and given birth to myriads of tracts. But these have been, for the most part, of little value, and are now all but wholly forgotten. And, though it had been otherwise, the influence of taxation over public prosperity could not be learned from such desultory discussions. It cannot be advantageously treated of in parts. To be properly understood and appreciated, it should be considered as a whole, and in a general point of view. Little, however, has been done to set it in this light, or to show the way in which the different parts of a fiscal system act upon each other, and its various bearings and incidences on society. That portion of the "Wealth of Nations" which refers to Taxes and Public Debts, the chapters on the same subjects in Ricardo's "Political Economy," and the treatise

of Sir Henry Parnell on "Financial Reform," are the only works of any eminence on fiscal policy of a comprehensive character that have appeared in this country. But the first of these having been published so far back as 1776, is necessarily in many respects little applicable to the present state of things. Ricardo's investigations are too abstract to be of much practical utility; and the more recent, though now rather remote, publication of Sir H. Parnell is but indifferently calculated to supply the deficiencies of his predecessors: being of limited extent, and including lengthened discussions on various branches of the public expenditure, his remarks on taxation are, for the most part, brief and superficial, and he omits, indeed, all mention of several of the most important and difficult questions involved in its discussion.

Under these circumstances we cannot be said to have obtruded ourselves upon a field of discussion already fully occupied. We may have failed to accomplish our purpose, but the purpose itself can hardly be objected to. Our work is intended to supply what is certainly a desideratum in economical literature, by furnishing the public with a pretty full exposition of the principles and practical influence of Taxation and the Funding System. In this view we have endeavoured carefully to trace and exhibit the effect of the principal classes of taxes upon the wealth and well-being of the public.

We have not, however, confined our researches to the history and influence of the leading taxes imposed in the United Kingdom. These, no doubt, have engrossed the greater portion of our attention, but we have also investigated the influence of some of the more important taxes imposed in other countries. And we are glad to have to state that the result of these inquiries has been thus far satisfactory, that it shows that, with one prominent exception, there is but little to object to in the principle of the greater number of our taxes; that the abuses and defects with which some of them have been, and continue to be, chargeable, have seldom been occasioned by their being essentially unjust, unfair, or mischievous, but by their having been carried to an excess, or by something defective or wrong in the mode of their assessment; and that, consequently, they may be amended with comparatively little difficulty.

The errors which, as we have attempted to show, have been committed in the practice of funding in this country, admit of no remedy. But it is, notwithstanding, of importance that the true principles and proper line of conduct to be followed in respect to such matters should be ascertained; for though the mistakes of a bygone period, and the effects consequent thereon, may no longer be capable of rectification, their repetition may be prevented; and the existing generation, and the generations by which it will be followed, may be

taught to avoid and profit by the blunders of the past.

We are not, therefore, wholly without the hope that this work may be of some public utility. If the principles laid down, and the inferences drawn from them, be admitted, they may assist in facilitating the adoption of various salutary reforms, at the same time that they may, perhaps, help to thwart some pernicious projects. And, whatever may be thought of this book, the more thoroughly the subjects of which it treats are investigated, the better will it be for the ends of truth, security, and good government. It is no easy matter to ascertain the ultimate incidence and real effect of various taxes; and the loudest clamours have frequently been raised against those that were least objectionable, and conversely. But whether the public form a right or a wrong estimate of any subsisting or proposed tax, or of any financial project, its opinion must necessarily have a powerful influence. It is, therefore, of the utmost consequence that it should be disabused of its errors, that it should learn to look a little below the surface, and cease to mistake appearances and declamation for facts and legitimate reasoning. The more the public mind is enlightened on the subject, the less scope will there be, on the one hand, for misrepresentation and exaggeration, and, on the other, the less excuse for obstinately adhering to vicious systems.

The national energies will be less likely to be turned towards vain and perilous schemes, while those that are really beneficial will be more likely to be carried forward. "*Promovere i lumi e la curiositd nelle materie de Finanza e di Commercio, sard sempre la preparazione migliore di tutti per cominciar le riforme.*"*

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* Verri, Meditazioni sulla Economia Politica, ediz. 6ta, p. 214.

In addition to this Treatise Mr. M^cCulloch has published the following works, viz.:—

1. A DESCRIPTIVE and STATISTICAL ACCOUNT of the BRITISH EMPIRE, exhibiting its Extent, Physical Capacities, Population, Industry, and Civil and Religious Institutions. Fourth and much improved Edition. 2 vols. 8vo. London, 1854.

2. A DICTIONARY, GEOGRAPHICAL, STATISTICAL and HISTORICAL, of the various Countries, Places, and Principal Natural Objects in the World. 2 thick and closely printed vols. 8vo., illustrated with Maps. New and improved Edition. London, 1851.

3. SMITH'S WEALTH OF NATIONS; with a Life of the Author, Notes, and Supplemental Dissertations. New Edition. 1 vol. 8vo., double columns. Edinburgh, 1855.

4. The PRINCIPLES of POLITICAL ECONOMY; with some Inquiries respecting their Application, and a Sketch of the Rise and Progress of the Science. Fourth Edition. Edinburgh, 1849.

5. A DICTIONARY, PRACTICAL, THEORETICAL, and HISTORICAL, of COMMERCE and COMMERCIAL NAVIGATION. A new and greatly improved Edition, in one large volume 8vo., illustrated with Maps and Plans. London, 1859–60.

6. The LITERATURE of POLITICAL ECONOMY: a Classified Catalogue of Select Publications in the Different Departments of that Science, with Historical, Critical, and Biographical Notices. 1 vol. 8vo. London, 1845.

7. A TREATISE on the SUCCESSION to PROPERTY vacant by DEATH; including Inquiries into the Influence of Primogeniture, Entails, Compulsory Partition, Foundations, &c., over the Public Interests. 1 vol. 8vo. London, 1848.

8. A TREATISE on the CIRCUMSTANCES which DETERMINE the RATE of WAGES and the CONDITION of the LABOURING CLASSES. 1 vol. post 8vo. Second Edition. London, 1854.

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TAXATION

AND

THE FUNDING SYSTEM.

INTRODUCTION.

GENERAL OBSERVATIONS ON TAXATION.

A TAX* is a portion, or the value of a portion, of the property or labour of individuals taken from them and disposed of by government,

A tax may be either *direct* or *indirect.* It is said to be *direct* when it is taken directly from property or income; and *indirect* when it is taken from them by making individuals pay for liberty to use certain articles, or to exercise certain privileges.

A tax may be either *general* or *particular;* that is, it may either affect all classes indiscriminately, or only one class, or several classes.

Taxation is the general term used to express the aggregate of particular taxes. It is also the name given to that branch of the science of political economy which explains the mode in which taxes affect the public interests, and in which the revenue required for the public service may be most advantageously raised.

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* Tax, from the Latin *taxo, taxare,* to estimate, appreciate, or value, and also, to charge with; the values of lands, houses, rents, &c. being usually ascertained or estimated before they are charged with payment of a tax. Ducange defines a tax as follows, viz. :—" Taxa, *exactio, impositio, certum pretium, seu certa pecunia* " *quantitas, per vim exacta nostris* taxe, *Italis* tassa." (Voce Taxa.)

It would be superfluous to enter into any lengthened arguments to show the utility, or rather necessity, of raising a revenue for the use of the public. The experience of all ages and countries shows that good order and tranquillity at home, security from foreign invasion, and the speedy and impartial administration of justice, are indispensable to the vigorous exercise of industry, the accumulation of wealth, and in general to the well-being of society; and that where these are wanting the energies of the population are prostrated, industry paralysed, and poverty and barbarism universally diffused. An expenditure fitted to realise so much good on the one hand, and to avert so much evil on the other, is most profitable. It is essential, indeed, to the existence of the body politic; and since it is productive of universal advantage, it should be defrayed by the joint contributions of the society. Hence the fundamental principle that, in as far as practicable, all the subjects of a state should contribute, according to their respective abilities, to the sums required, for its defence against hostile aggression, the preservation of internal tranquillity, and the protection of the citizens in the undisturbed enjoyment of their property and rights. It, no doubt, frequently happens that the public is required to contribute larger sums than are necessary for these ends; but this being an abuse which originates either in the defective organization of governments, or in their misconduct, it does not come within the scope of our inquiries. The produce of taxes is to the body politic what food is to the human body; and if they be imposed for necessary and legitimate purposes, judiciously assessed, and collected in the way least likely to be injurious, their payment cannot reasonably be objected to. Under such circumstances their expenditure seldom fails to procure an adequate return to the contributors. But, it is no part of our business to inquire whether the revenue raised by the state exceeds its necessary wants, or whether it be judiciously expended. These questions, how important soever, do not affect the principles on which taxes should be imposed, or the mode of their imposition,

and are consequently foreign to the nature and objects of this work. And, leaving them to be examined by others, we shall content ourselves with endeavouring to ascertain the influence of taxation over individual and national wealth; and, by analyzing the various methods in which a revenue may be raised, and comparing them together, we shall, perhaps, be able to show which is most advantageous, or rather which is least injurious.

The scheme of taxation now prevalent in modern Europe had its origin in the decline of the feudal system. According to the principles of that system, lands were held as fiefs of the crown, on condition of their holders performing certain stipulated services, of which the obligation to support the sovereign, when he took the field, with a body of retainers, armed and maintained at their own expense, was by far the most important. The tenants in chief of the great fiefs, or those who held directly under the sovereign, were either originally invested with, or subsequently usurped, the prerogative of administering justice in their respective lordships; and in those days its administration, instead of being a source of expense, became, through the corruption and abuses with which it was infected, a considerable source of influence and emolument. The clergy were supported partly by the produce of their own estates, and partly by a tithe levied upon the estates of others. And the labour of the peasantry, during a few days before and after harvest, sufficed to put the roads and bridges into that state of repair which suited the depressed condition of commerce, and the little intercourse between the different parts of the country. It was not even necessary to levy a tax for the support of the monarch and his court. The rents of the crown estates, or of the royal demesnes which had not been granted to others, but remained in the possession of the sovereign, and the revenue derived from wardships and other feudal incidents, were generally sufficient to defray this part of the public expenditure. When the feudal system was in its vigour, the demesnes of the crown were, in most

countries, very extensive; and the alienations occasioned by the profusion and facility of some princes were compensated by the forfeitures and escheats that were always taking place.

The objectionable nature of this system is too obvious to require being pointed out; and it had for a long series of years the most unfavourable influence over the peace and prosperity of Europe. But the progressive, though slow, advance of civilization ultimately occasioned its overthrow. Money payments were gradually substituted for personal services. The establishment of standing armies in France* by Charles VII., and their introduction into other countries, broke the power and spirit of the feudal aristocracy, and enabled the different governments to introduce a regular plan of administration, and to enforce that system of pecuniary contribution now universally established.

The amount of a tax is not to be estimated by the *bulk* or *species* of the produce required for its payment, but by its *value*. A heavy tax abstracts a large, and a light tax abstracts a small value. When the cost of an article is reduced, its price necessarily declines in an equal degree, and (if the value of money be stationary) its producers have to sell a proportionally larger quantity to obtain the means of paying the same amount of taxes. But it is an obvious error to suppose, as is commonly done, that this makes any addition to the burden of taxation. The values paid by the contributors remain the same, and it is by these, and not by quantities, that the weight of taxation is to be measured. If, through improvements in agriculture, machinery, or any other cause, *two* quarters of wheat, or *two* yards of cloth, were to be produced by the same expenditure of capital and labour that is now required to produce *one* quarter or *one* yard, it would be no hardship to have to give *double* the quantity of wheat and cloth in payment of taxes that is now sufficient for that purpose.

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* Hallam's "Middle Ages," vol. i. p. 118.

The want of attention to this principle has led to much erroneous reasoning on the subject of taxation. Even Adam Smith did not sufficiently allow for the influence of improvements in enabling countries to bear additional taxes. Nothing, however, can be more obvious than that the quantity of produce appropriated as revenue by government may be gradually increased wherever the arts are progressive, without adding to the burdens of the inhabitants. Every invention and discovery which facilitates production, or gives a larger return for the same outlays, enables individuals to spare, without inconvenience, proportionally larger quantities of their produce for the service of the state. A cotton manufacturer may now, perhaps, have to sell ten or twenty times as much calico or cambric to get the means of paying taxes as would have sufficed to make an equal payment fifty or sixty years ago. This, however, is not a consequence of taxation having been increased, but of cottons having fallen in value. And this fall having been occasioned by an equivalent diminution in the cost of their production, does not place the manufacturer in a worse situation, or oblige him to make any greater sacrifice now than formerly. Governments have, therefore, the same interest as their subjects in facilitating production, inasmuch as it permits them to add to the produce at their disposal without really adding to the weight of taxation; whereas, on the contrary, a diminished facility of production must either diminish in an equal degree the produce appropriated by government, or compel it to lay heavier burdens on its subjects. Public wealth being merely that portion of private wealth which is transferred to government, the greater the amount of the latter, the greater, of course, will be the magnitude of the portion that may be conveniently spared for public purposes.

Though taxation be necessary, it should nevertheless be kept within the narrowest practicable limits. The best taxes, provided they furnish the necessary supplies, may, in general, be said to be the lightest, or those of which the pressure is least

felt. But how light soever, all taxes, when first imposed, encroach somewhat on the means of enjoyment or of accumulation; and whatever may be their amount, and however imposed, they fall either on the revenue of the contributors or on their capital or stock. Perhaps, indeed, there is no tax the produce of which is not partly derived from both these sources. It is, however, abundantly certain that taxes, when judiciously imposed, and not carried to too great a height, occasion an increase of industry and economy, and but rarely encroach on capital. Under these conditions they operate as motives to restrain expense, and as incentives to labour and ingenuity, their usual effect being to cause the production of more wealth than they abstract. But the power to make increased exertions, and to save from expense, though not easily defined, is not illimitable. And whenever the sums taken by taxation are not fully compensated by increased production or increased saving, it encroaches on the means of future production, and the country begins to retrogade. When carried to this extent, taxation is one of the severest scourges to which a people can be subjected. By diminishing capital, or the funds applicable to the support of industry, it lessens the national revenue, the only fund out of which taxes can be permanently paid, and lays the sure foundation of public poverty and disgrace, in the degradation of private fortunes. Like falling bodies, which are precipitated with a constantly and rapidly increasing velocity, a system of taxation acting on capital multiplies pauperism and distress in a geometrical proportion, and destroys alike the desire and the means of reproduction.

It would, however, be an error to suppose that a tax necessarily falls on capital because it is laid on capital, or on income because it is laid on income. A moderate tax laid on capital may be, and generally is, defrayed out of income; whereas an oppressive tax laid on income has in most cases to be partly paid from capital. In most instances, indeed, little can be learned in regard to the real incidence of a tax from the way in which it may be imposed.

Sundry writers on finance have laboured to show that taxa-

tion is never a cause of diminished production; but that, on the contrary, every new tax creates a new ability in the subject to bear it, and every increase of the public burdens a proportional increase in the industry of the people. The fallacy of this opinion, when advanced thus absolutely and without reservation, has been ably exposed by Hume in his "Essay on Taxes." But, as already seen, it is undoubtedly true that the desire to maintain and improve their condition, stimulates most men to endeavour to discharge the burden of additional taxes by increased industry and economy, without allowing them to encroach on their means of subsistence, or their fortunes.

The operation of this principle has been strikingly evinced in the financial history of this country since the commencement of the American war. That contest, and the more recent struggle with revolutionary France, occasioned a vast increase of taxation, and an expenditure that has no parallel in the history of the world. The public debt, which amounted to about 129 millions in 1775, amounted to about 848 millions in 1817; and, in addition to the immense sums raised by borrowing, the gross produce of the taxes levied in the United Kingdom during the late war exceeded the enormous sum of 1,100 millions sterling! And yet the rapid increase of population—the wonderful progress and improvement of agriculture, manufactures, and commerce—the extension and embellishment of towns and cities—the formation of so many new docks, roads, and canals—and the infinite variety of expensive undertakings entered upon and completed in all parts of the country during the continuance of hostilities—show clearly that the savings of the mass of the people greatly exceeded the warlike expenditure of government and the unprofitable expenditure of individuals. It may be safely affirmed that no other people could have made such extraordinary exertions without being ruined. And we were indebted for the power to make them to a variety of causes, but chiefly to that security of property and freedom of industry which we enjoy in a greater degree than any other European nation, and to that

universal diffusion of intelligence which enables those who carry on industrial undertakings to press all the powers of nature into their service, and to avail themselves of energies of which a less instructed people would be wholly ignorant.

Speculative inquirers have sometimes indulged in conjectures as to what would have been our present situation had the wars which have occasioned the contraction of so large a debt, and the expenditure of such vast sums, not occurred. Adam Smith appears to have concluded that, in the event of our having enjoyed perpetual peace since the Revolution, almost the whole sums which have been since laid out on warlike enterprises would have been added to the national capital, and that we should in consequence have been incomparably richer, more populous and powerful. "Had not these wars," he observes, "given the particular direction to so large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whose labour would have replaced, with a profit, the whole value of their consumption. The value of the annual produce of the land and labour of the country would have been considerably increased by it every year, and every year's increase would have still more augmented that of the following year. More houses would have been built, more lands would have been improved, and those which had been improved before would have been better cultivated. More manufactures would have been established, and those which had been established before would have been more extended: and to what height the real wealth and revenue of the country might by this time have been raised, it is not perhaps very easy even to imagine."*

But this, though a popular, is a very doubtful conclusion. Speculations upon the subject are necessarily, indeed, encumbered with so many difficulties as to admit of little else than probabilities; yet these, we think, go far to warrant the belief

* See the edition of the "Wealth of Nations," by the author of this work, in one vol. 8vo. p. 153.

that, but for the contests in which we have been engaged since the Revolution, the greater portion of the wealth expended in carrying them on would not have existed. Smith forgot that an increase of taxation has the same influence over nations that an increase of their families or of their unavoidable expenses has over individuals. The constantly increasing pressure of taxation during the American war, and the war begun in 1793, was felt by all classes, and gave a spur to industry, enterprise and invention, and generated a spirit of economy, which we should have in vain attempted to excite by any less powerful means. Had taxation been very oppressive, it would not have had this effect; but though not so high as to produce either dejection or despair, it was, at the same time, sufficiently heavy to render a very considerable increase of industry and parsimony necessary to prevent it from encroaching on the fortunes of individuals, or, at all events, from diminishing the rate at which they had previously been increasing. Man is not influenced solely by hope, he is also powerfully influenced by fear. Taxation brings the latter principle into the field. To the desire of rising in the world, implanted in the breast of every individual, an increase of taxation superadds the fear of being cast down to a lower station, of being deprived of conveniences and gratifications which habit has rendered all but indispensable; and the combined influence of the two principles produces results that could not be produced by the unassisted agency of either. Without the American war and the late French war, there would have been less occasion for industry and frugality. And those who inquire dispassionately into the matter will perhaps see reason to conclude that the powerful stimulus which the privations that grew out of these contests gave to the exercise of the virtues referred to, has furnished means sufficient to defray their vast expense, and that the capital of the country is about as great at this moment as it would have been had they not occurred.

But we must be on our guard against the abuse of this doctrine, and must not suppose that, because it holds in certain

cases and under certain conditions, it will, therefore, hold in all cases and under all conditions. To render an increase of taxation productive of greater exertion, economy, and invention, it should be slow and gradual; and it should never be so great as to make people believe that it cannot be countervailed by a moderate increase of industry and economy. If it were so great that it could not be met except by a sudden and violent change in the habits of the people, or if it were generally supposed that it could not be otherwise met, it may be safely affirmed that few or no attempts would be made to defeat its influence. Difficulties that are believed to be surmountable sharpen the inventive powers, and are readily and vigorously grappled with; but an apparently insurmountable difficulty, or such an increase of taxation, as it was deemed impossible to defray, except by unusual and extraordinary means, would not stimulate, but discourage exertion. Whenever taxation becomes so heavy that the wealth it takes from individuals can no longer be replaced by fresh efforts, these efforts cease to be made; industry is paralysed, and the country declines. Oppression, it has been said, either raises men into heroes or sinks them into slaves; and taxation, according to its magnitude and the mode in which it is imposed, either makes men industrious, enterprising, and wealthy, or indolent, dispirited, and impoverished.

But, though the probability be that the capital of the country is about as great at present as it would have been had the Revolutionary war with France not occurred, it must not be supposed that we sustain no inconvenience from the taxes imposed to defray its expense. Undoubtedly these form, and will most probably continue to form for a lengthened period, a heavy drawback on our industry and prosperity. They have this effect, not so much by reason of their magnitude compared with our ability to bear them, as by reason of their magnitude compared with what appear to be the lower taxes of some other countries, and the consequent temptation they create to transfer capital and skilled labour

to them.* The decline of Holland may be traced to the operation of similar circumstances. Notwithstanding the vast expense of her revolutionary struggle with Spain, and of her subsequent contests with England and France, the capital of the republic increased prodigiously during the latter half of the 16th and the greater part of the 17th century. But despite this increase, the number and magnitude of the taxes which it became necessary to impose, to defray the interest of the debt and the current expenditure, so reduced the rate of profit, that her capitalists were tempted to vest large sums in foreign countries, and that her manufactures and commerce gradually declined.

We shall have other opportunities of recurring to the important considerations now merely glanced at; and we only mention them at present lest it might be supposed that, in exhibiting the powerful influence of judicious taxation in stimulating industry and economy, we were unconscious of, or had overlooked, the serious inconveniences that may follow such increase, if it be not confined within reasonable limits.

The effects, now alluded to, of the too great increase of taxation are, for the most part, developed only by slow degrees, and are not in general very sensibly felt till a considerable period after it has taken place. The injurious effects that have been observed immediately to follow certain taxes will, we believe, be almost uniformly found to have resulted either from something vicious in their nature, or from their being suddenly carried to an oppressive height. Clearly defined taxes, that admit of being fairly assessed and collected, and which neither require any offensive inquisition into the affairs of individuals nor obstruct improvements, may be gradually increased to what might, *d priori*, be considered a most oppressive extent, without injury to industry, and without occasioning discontent. But taxes that may be

* It is generally believed that taxation is higher in Great Britain than in most European states; but, taking into account our means of paying taxes, there is no real foundation for such belief.

increased or diminished at the pleasure of the collectors, or which affect only certain classes of properties or persons, or which cannot be assessed without prying into the circumstances of the contributors, or which discourage improvements, uniformly occasion, even when comparatively light, the greatest dissatisfaction, and have a most pernicious influence. The vicious nature of the taxes to which Spain was formerly subjected, and not their magnitude, was one of the most potent causes of the decline of her industry, and of the abasement into which she sunk.

Besides contending that the uniform effect of taxes is to create a new ability in the people to bear them, modern financiers have also contended that they are not really lost to the contributors, but are restored to them through the expenditure of government and its agents! And notwithstanding the almost obvious fallacy which this statement involves, it not unfrequently forms the substance of the answers made to those who complain of oppressive taxes. In illustration of what is now stated, suppose a farmer is taxed 50*l.*, and let us endeavour to ascertain whether the expenditure of this sum by the public functionary, or individual, who has received it, affords any compensation to the farmer for its loss. If the receiver of the tax do not lay it out on articles produced by the farmer, it is obvious it cannot revert to him, and he can derive no advantage from its expenditure. But suppose, which is the most favourable hypothesis for the statement we are combating, that the tax-receiver comes to the farmer to buy his produce, and let us trace the successive steps and result of the whole transaction: first of all, then, the farmer sold as much corn, or other produce, as was worth 50*l.*; he next paid away these 50*l.* to a tax-collector; and the latter, or the person who received the 50*l.* from him, comes to the farmer and says, "You may have your money back, on your giving me an equivalent in corn or other produce." This is the way in which the money drawn from the pockets of the public by taxation reverts to them; and if it enrich any

one, it is obvious it must do so by making him pay *twice* for the same sum of money! It is to no purpose to endeavour to escape from this *reductio ad absurdum* by telling us that industry is benefited by every extension of the market, and that the consumption of soldiers and sailors is advantageous, because it increases demand. To benefit industry, the market must be real—not nominal; it must be one in which the buyers have supplied themselves, through their own industry or resources, with the money or other equivalents which they offer for commodities. It is contradictory to suppose that either individuals or states should receive the smallest benefit from sales made to those to whom they have previously furnished the means of purchasing. This, however, is always the case with buyers who live on the produce of taxation. And to keep up useless regiments and overgrown establishments, on pretence of encouraging industry by increasing demand, is quite as irrational as it would be for a shopkeeper to attempt to increase his business and get rich by supplying his customers with money to buy his goods.*

It is, obvious, therefore, that the services rendered by the functionaries who receive taxes form the only return made to the contributors. And it is undoubtedly true that these services are of the highest value, and that, when neither the number nor the salaries of those by whom they are rendered are unnecessarily large, they constitute a full and ample equivalent for the sums expended upon them. But whatever is beyond this — whatever is expended in over-paying public functionaries, or in maintaining such as are unnecessary — is wholly lost to the tax-payers, or is not in any way compensated for to them.

It may be worth while, perhaps, to observe that the money that has been expended in obtaining that security and good government which are indispensable alike to the production of wealth, and to comfort and enjoyment of all kinds, is some-

* See on this sophism Hamilton on the National Debt, 3rd ed., p. 35; "Lettres d'un Citoyen sur les Vingtièmes," &c. p. 113, published in 1768, &c.

times called a "sacrifice." But this is not to be understood in a sinister sense, as if the expenditure referred to involved any peculiar evil or hardship, or was to be in any degree regretted. Sacrifice in this case is to be taken in the same sense in which it is taken when the seed employed in sowing the land, the coal used in heating furnaces, and the food required for subsistence, are said to be sacrifices. Taxation is a means without which society could not exist. The ignorance, the prejudices, and the selfish and ungovernable passions of governments and their subjects are alone responsible for its occasional perversion and the abuse of its produce.

It is still, however, true that the smaller the outlay for which the objects that taxation is employed to procure may be obtained, the better. A diminution of expenditure, and consequently of taxation, confers an advantage on the public, similar to that conferred on individuals by a diminution of the cost of food, or of any indispensable or highly desirable article. There is no mystery about the manner in which government is supported. It is not a producer. Its expenditure is not defrayed from its own means, but from those of its subjects. And hence, the greater the expenses of governments, the deeper must they encroach on the incomes or capitals of those who pay taxes, and conversely, unless, as previously stated, they be met by increased industry or economy, or both.

Various and very discordant opinions have been entertained respecting the real incidence of taxation. Locke in England,* and Quesnay and his followers in France and Italy, contended that all taxes, however imposed, fell ultimately on the land. This erroneous opinion originated in their supposing that agriculture is the only productive species of industry; whereas it is in no respect more productive than others. The truth is, that burdens laid directly or indirectly on articles for which there is any considerable demand, have, most commonly, a twofold operation. Thus, a tax on hats or shoes

* Locke's Works, ii. pp. 36–40, edit. 1777, 4to.

would, probably, by stimulating invention and economy, occasion a diminution in the cost of their production; but if this were not the case, or if the diminution were not fully sufficient to neutralise the influence of the tax, the producers would raise the price of the articles so as to throw whatever peculiar burden might continue to affect them on the consumers. For were it otherwise, the profits of the hatters and shoemakers would be reduced below the general level; and as they would not be satisfied with less profit than was made by their neighbours, they would gradually withdraw from their businesses, till, through the diminished supply of hats and shoes, their prices were raised so as to yield the ordinary profits of stock, exclusive of the tax. There are natural limits, however, to the extent to which taxes on commodities can be carried; and their effects differ when they are laid on those required for the consumption of the labouring classes, and on those principally consumed by the higher classes. But before proceeding to inquire into the influence of particular taxes, it may be well, perhaps, to make a few observations on the maxims laid down by Adam Smith with regard to taxation, which have been much and justly referred to.

First Maxim.—"The subjects of every state ought to contribute towards the support of the government, as nearly as possible in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation.

Second.—"The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. Where it is otherwise, every person subject to the tax is put, more or less, in the power of the tax-gatherer, who can either

aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favours the corruption of an order of men who are naturally unpopular even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

Third.—"Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it. A tax upon the rent of land, or of houses, payable at the same term at which rents are usually paid, is levied at the time when it is most likely to be convenient for the contributor to pay, or when he is most likely to have wherewithal to pay. Taxes upon such consumable goods as are articles of luxury, are all finally paid by the consumer, and generally in a manner that is very convenient for him. He pays them by little and little, as he has occasion to buy the goods; and as he is at liberty, too, either to buy or not to buy as he pleases, it must be his own fault if he ever suffers any considerable inconveniency from such taxes.

Fourth.—"Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state." *

In a theoretical point of view these maxims are alike comprehensive and accurate. Were it practicable, the burden of taxation should be made to press on all individuals in proportion to their respective revenues. A., with an income of 1,000*l.* a year ought to pay ten times the tax paid by B., who has only 100*l.* a year, and the latter ten times as much as C., who has only a pittance of 10*l.*† The state has been ingeni-

* "Wealth of Nations," 1 vol. 8vo. p. 371.

† It is, perhaps, needless to say, that the incomes of the different parties are supposed to be perpetual, or of the same duration.

ously compared by M. Thiers to a mutual insurance company, where the payments by the members are exactly proportioned to the sums they have insured, or to their interest in the company. And so it should be with the subjects of government. It is established for the common benefit of all — of those who labour, whether with the hand or the head; of those to whom property has descended, and by whom it has been acquired; and it is indispensable to their well-being and to that of everyone else. And being so, it follows that everyone should contribute to its support according to his stake in the society, or his means. This is a plain, intelligible rule, that should neither be forgotten nor overlooked.

Practically, however, it is not possible to attain to anything like perfect equality in taxation; and provided no tax be imposed in the view of trenching on this principle, or of making one class or order of people pay more in proportion to their means than others, the equality of taxation is of minor importance. In this, as in most departments of politics, there is only a choice of difficulties; and what is absolutely right must often give way to what is expedient and practicable. It is the business of the legislator to look at the practical influence of different taxes, and to resort in preference to those by which the revenue may be raised with the smallest inconvenience. Should the taxes least adverse to the public interest fall on the contributors according to their respective abilities, it will be an additional recommendation in their favour. But in this, as in every similar matter, the *salus populi* should be the prime consideration; and the tax which is best fitted to promote, or least opposed to that great end, though it may not press quite equally on the different orders of society, is to be preferred to a more equal but otherwise less advantageous tax. Were Smith's first maxim restricted to taxes on property and income, it would be as true in a practical as in a theoretical point of view. Equality is of the essence of such taxes; and they cannot be unequal without being, at the same time, unjust. But in laying down a rule that is to apply to all taxes, equality of contribution is an

inferior consideration. The best tax may not be that which is most nearly proportioned to the means of individuals, but it is that which is most easily assessed and collected, and is, at the same time, most conducive, or least opposed, all things considered, to the public interests.

The truth is, that the greater number of taxes, including, we believe, every one that is least injurious, are imposed without any regard to the equality of their pressure. They consist of duties payable by those who use certain articles or exercise certain privileges, and by those only. Taxes of this sort, though not proportioned to the abilities of the consumers, are neither partial nor unfair; and provided they be imposed on proper objects, and kept within due limits, they do not appear to be open to a single good objection.

We may refer, in illustration of this statement, to the duties on malt, spirits, wine, and tobacco. These produce a very large annual revenue; and supposing them to be properly assessed, and of a reasonable amount, they appear to be, in all respects, unexceptionable. Other duties of this description, such as those on saddle-horses, carriages, and livery servants, fall only on the more opulent classes. But this is not the case with the more productive duties; and, there can be no doubt, that the largest portion of the revenue derived from them is paid by the lower and poorer orders. This however, is not, as has been often alleged, a consequence of the latter being overtaxed, but of their being so very numerous that the produce even of moderate taxes to which they generally contribute invariably exceeds the produce of heavier taxes that fall exclusively on the richer classes. The duties now referred to act as a species of improved sumptuary laws, having all the useful with few or none of the injurious influences of these regulations. The articles on which they are imposed are not indispensable; and the duties may be partially or wholly evaded or defrayed by those who exercise a little self-denial, or make the increased exertion necessary for their payment. But in nine instances out of ten the influence of such duties is of a compound description, infusing

at one and the same time a greater spirit of industry and economy into all classes. A taste for spirituous liquors, by the idleness and dissipation to which it leads, and the waste of the immense sums expended in its gratification, is most injurious to the work-people. And hence the taxes on such liquors are probably the best of any; for, while they bring large sums into the public treasury, they help to repress vicious indulgences, to improve public morals, and to save the money of the poor.

But though it will, perhaps, be generally admitted that reasonable duties on spirits, tobacco, and such like articles, cannot be justly objected to, it may be contended, with some show of reasoning, that duties on necessaries, or on bread, butchers' meat, salt, tea, sugar, &c. are unjust and unfair, because of these articles being indispensable to the consumption of the poor as well as of the rich. The injury, however, which is done to the poor by moderate taxes on necessaries is more apparent than real; for, as will be afterwards shown, wages are, in the great majority of cases, adjusted according to the real influence of such taxes. It commonly happens that the quantity of an article used previously to its being burdened with a moderate duty, may be diminished, or something else be substituted in its stead, or the duty be defrayed by additional exertion or economy, without entailing any very serious privations on the contributors.

Without, however, insisting on these considerations, we deny that taxes on necessaries can be fairly objected to on the ground of their being unjust. They may, if carried to too great a height, be oppressive, and, if improperly selected, they may be inexpedient, but the charge of injustice is not one that can ever be truly made against them. Government has nothing to do with the means of the parties who buy taxed articles. Its duty is to impose equal and reasonable taxes on the articles best suited to bear them. Providence is not charged with injustice because the corn and other articles used indifferently by the poor and the rich cost the one class as much as they cost the other. And, this being admitted, how can it be pretended that governments commit injustice by laying

equal duties on these articles? A rich man will, of course, pay taxes, as he pays every thing else, with less inconvenience than one who is poor. But is that any reason why he should be unfairly treated, or mulcted of a part of his fortune, by being subjected to peculiarly high rates of taxation? Riches are an evidence of superior good conduct; for, in the vast majority of cases, they are the result either of their possessors having themselves been, or of their having succeeded to progenitors who were, comparatively enterprising, industrious, and frugal. The distinction of rich and poor is not artificial. It originates in, and is a consequence of, differences in the character and conduct of individuals. A government which should attempt to obliterate this uneradicable distinction by varying duties so as to increase their pressure on the more opulent classes would be guilty of flagrant injustice. And by discouraging the exercise of those virtues which are most essential to the public welfare, it would do its best to sap the foundations and weaken the springs of national prosperity.

So long, therefore, as duties are imposed on proper objects, and not carried to too great a height, we have yet to learn on what grounds they can be fairly objected to. A revenue must be raised by one means or other; and it will, we venture to think, be sufficiently demonstrated in the sequel that such portion of it as may be raised by consumption duties will be the least onerous.

Although, however, it be no valid objection to a large class of taxes that they are not proportioned to the means of the contributors, it may be laid down generally that no tax whether it be proportioned to their means or otherwise, can be a good tax unless it correspond pretty closely with the last three maxims of Smith.

The great defect, for example, of the taxation of France previously to the Revolution, did not consist so much in its magnitude, or in the oppressive manner in which it was collected, as in its inequality.* The principal taxes were direct,

* The same may be said of the old system of taxation in most continental states, and, though amended in the interval, it is still very defective.

and should, therefore, have been proportioned to the abilities of the contributors. But, on the contrary, those who had the largest fortunes, and who, consequently, derived the greatest advantage from the protection afforded by government, were in great measure relieved from these taxes. The nobility and clergy, while they engrossed every situation of power and emolument, were, in as far as possible, exempted from the *taille* and other heavy and vexatious imposts. And it is no longer a question that the disgust occasioned by this inequality, the impatience of the feudal privileges of the nobility, the abuses that grew out of the venal, partial, and infamous administration of justice, and the desire of equal rights, mainly contributed to throw France into a flame, and to produce the greatest and most destructive convulsion of which history has preserved any memorial.

The mischiefs occasioned by the inequality of taxation in France were set in a very striking point of view by Arthur Young, in his "Travels," which contain the best account of that country previously to the Revolution.

"The abuses attending the levy of taxes," says Young, "were heavy and universal. The kingdom was parcelled into generalities, with an intendant at the head of each, into whose hands the whole power of the Crown was delegated for everything except the military authority, but particularly for all affairs of finance. The generalities were subdivided into elections, at the head of which was a sub-delegate appointed by the intendant. The rolls of the *taille, capitation, vingtièmes,* and other taxes, were distributed among districts, parishes, and individuals, at the pleasure of the intendant, who could exempt, change, add, or diminish at pleasure. Such an enormous power constantly acting, and from which no man was free, must, in the nature of things, degenerate in many cases into absolute tyranny. It must be obvious that the friends, acquaintances, and dependants of the intendant, and of all his sub-delegates, and the friends of these friends, to a long chain of dependence, might be favoured in taxation at the expense of their miserable neighbours; and that noblemen

in favour at court, to whose protection the intendant himself would naturally look up, could find little difficulty in throwing much of the weight of their taxes on others, without a similar support. Instances, and even gross ones, have been reported to me in many parts of the kingdom, that made me shudder at the oppression to which numbers must have been condemned by the undue favours granted to such crooked influence. But without recurring to such cases, what must have been the state of the poor people paying heavy taxes, from which the nobility and clergy were exempted? A cruel aggravation of their misery, to see those who could best afford to pay exempted because able! The enrolments for the militia, which the *Cahiers* call *an injustice without example,* were another dreadful scourge on the peasantry; and, as married men were exempted from them, they occasioned in some degree that mischievous population of beings brought into the world for little else than to be starved. The *corvées,* or police of the roads, were annually the ruin of many hundreds of farmers; more than three hundred were reduced to beggary in filling up one vale in Lorraine: all these oppressions fell on the *tiers état* only, the nobility and clergy having been exempted from *tailles,* militia, and *corvées.*"* What but revolution could be anticipated from so monstrous a system?

The taxes of eastern countries seldom correspond with the second maxim of Smith. Their amount is fluctuating and arbitrary, not fixed and certain. In despotical countries all the agents of government are despots in their peculiar spheres. Though the sum demanded by the Sultan should be defined and ascertained, there are no limits to the extortion and rapacity of his servants. An individual who has paid the tax imposed by the former has no guarantee against being further called upon to pay three or four times as much to the pacha of the province. The security of property is thus completely subverted. And the arbitrary nature of the public burdens is

* Vol. i. p. 598.

entirely destructive of that spirit of industry which might have flourished under a much greater weight of equal and well-defined taxes.

The pernicious influence of this wretched system is strikingly exemplified in the impoverished and neglected state of the Ottoman dominions. Exclusive of the *miri*, or taxes for the public treasury, and of those called *hasné*, appropriated to the peculiar use of the Grand Seignior, the people are subject to payments in kind for troops passing from one part of the empire to another, to compulsory contributions of labour, compulsory loans, &c. And in addition to these, which may be regarded as burdens imposed for the service of the state, the pachas and their satellites squeeze out of the inhabitants all that they possibly can, without inquiring or caring whether their demands be legal. Hitherto the only criterion of an approved administrator in Turkey has been the amount of tribute he has remitted to the public treasury, and the magnitude of his douceurs to those in power. Inquiry is seldom, if ever, made into the means by which this revenue is raised. To rob those below him, that he may bribe those above him, is the constant aim of each petty tyrant through all the gradations of this baleful despotism. Under its blighting influence palaces have shrunk into cottages, cities into villages, and the finest, and of old the most flourishing, countries in the world, are reduced to the most deplorable state of depopulation, poverty, and barbarism.*

Under these circumstances we need not be surprised to learn that, notwithstanding their prejudices, some of the more intelligent Turks have been long aware of the ruinous consequences of the present revenue system, and of the advantages that would result from its being reformed, and limits set to the *avanias* or extortions of the pachas. Nothing, however, was done in furtherance of these views till 1839, when a *Hätti Scheriff*, or Imperial Decree, was issued, which, had it been carried into effect, would have obviated several of

* See "Geographical Dictionary," art. Turkey.

the abuses complained of. But it were idle to suppose that this, or any similar project, should have any considerable influence. Practically it has had little or none. In Turkey reforms rarely get below the surface, whereas the sources of abuse are to be found in the principles which form the very basis of society. There is neither public virtue nor knowledge in the country, to accomplish any substantial reforms. Nothing short of a miracle would suffice for its regeneration. Corruption, venality, and a rooted contempt for all who do not belong to the race of Othman, are all but universal. And those best acquainted with the circumstances concur in thinking that the disorders which have so long infected every department of the administration, and shed their deadly influence over every part of the empire, will not be sensibly abated till foreign force or domestic violence overthrow the religion and government, of which they are the bitter but legitimate fruits.

The establishment of the *warehousing* system, or the giving leave, on payment of a moderate rent, to deposit imported goods in public warehouses, whence they may be withdrawn at pleasure for exportation, and where they may be kept, without paying the duties on home consumption, till it be found convenient to dispose of them for that purpose, has made a large branch of our taxation correspond very closely with the third maxim of Smith—the customs duties being now levied at the time and in the manner most convenient for the contributors. Previously to the Act 43rd Geo. III. cap. 132., which established this system, the duties on imported articles, being a very large portion of the public revenue, had either to be paid on their importation, or a *bond*, with sufficient security, had to be given for their future payment. But much hardship and inconvenience resulted from a practice of this sort. It was often difficult, and sometimes impossible, to find sureties; so that the importers were not unfrequently compelled to sell their goods immediately on their arrival, though the market might then be glutted. Inasmuch, too, as the duties had to be paid at once, and not by degrees, as

the articles were sold for consumption, their price was raised by the amount of the profit accruing on the capital advanced to pay the duties; while the greater command of funds required to carry on trade under such disadvantages diminished competition, and enabled a few rich individuals to monopolise, in great measure, the importation of commodities charged with heavy duties. The practice tended, also, to discourage the carrying trade, and to endanger the security of the revenue. For the obligation to pay import duties, even on the articles which were destined for re-exportation, obstructed the importation of such foreign products as were not likely to be speedily required for home consumption; at the same time that the difficulties attendant on the granting of a really equivalent drawback to the exporters of such as had paid the duty opened a door for the commission of most species of fraud.

Sir Robert Walpole had a clear perception of the injurious consequences of this system. The famous *Excise Scheme*, proposed by him in 1733, was intended to relieve the importers of tobacco and wine from the necessity of paying the duties chargeable on these articles till they were entered for consumption, by making them be deposited, when imported, in public warehouses, under the joint locks of the king and the merchant. And no doubt can now remain in the mind of any one that the scheme, had it been adopted and fully carried out, would have been highly advantageous to the trade and revenue of the country. But the delusion generated with respect to it was so powerful, that its proposal well nigh caused a rebellion. Most merchants had availed themselves of the facilities for defrauding the revenue which were then afforded; and they exerted themselves, by opposing Walpole's project, and endeavouring to make the public believe that it would be fatal to commerce, to avert the serious check which its adoption would have given to smuggling. Unluckily, too, the proposed plan, unlike that which now exists, gave the merchant no option, but obliged him to warehouse his goods whether he were so disposed or not. In reality this was but

a trifling inconvenience, but it supplied a pretext for denouncing the entire scheme as arbitrary and unconstitutional. The selfish opposition of the importers was powerfully abetted by the spirit of party, which then ran very high. The opponents of the ministers, anxious for an opportunity of prejudicing them in the public estimation, contended that the scheme was only the first step towards the introduction of an universal system of excise that would be subversive alike of the trade and liberties of the nation! These misrepresentations had the desired effect; they everywhere excited the most violent clamours against the scheme. On one occasion Walpole narrowly escaped falling a sacrifice to the fury of the mob, which beset all the avenues to the House of Commons; and after many violent and lengthened debates the scheme was abandoned.*

The disadvantages of the old plan, and the benefits to be derived from the establishment of the warehousing system, were ably set forth by Dean Tucker in his "Essay on the Comparative Advantages and Disadvantages of Great Britain and France with respect to Trade," published in 1750. But so lasting was the impression made by the opposition to Walpole's scheme, and such is the force of prejudice, that this signal improvement, though the greatest, perhaps, that has been made in our financial and commercial policy, was not adopted till 1803.

The facility and cheapness with which taxes may be collected should be particularly attended to in their selection. Every tax should, as Smith has stated in his fourth maxim, be contrived so as to take out and keep out of the pockets of the people as little as possible above what it puts into the public treasury. The nett produce of a tax, or the sum which it yields after the expenses of its collection are deducted, being

* Tindal's "Continuation on Rapin," viii. p. 154. ed. 1769; Coxe's "Sir R. Walpole," vol. i. p. 372. 4to. ed. Had the resolutions with respect to tobacco been carried, those regarding wine, which were to have been exactly similar, would have been proposed.

all that is applicable to national purposes, it is plain that taxes which cost a great deal to collect impose a heavy burden on the people for the sake of a small advantage to government. Sully states, in his Memoirs, that the expense of collecting a nett revenue of *thirty* millions of livres in France in 1598 cost the enormous sum of 120 millions, or in other words, that of a sum of 150 millions taken from the people by taxes, only *thirty* millions found their way into the coffers of the treasury! In 1856 a gross revenue of 1,535,752,107 francs was collected at an expense of 166,094,018 francs, being at the rate of 10·7 per cent. The direct taxes, of which the *contribution foncière* is the principal, cost only 3·7 per cent., whereas the post office revenue cost, including the conveyance of the mails and the delivery of the letters, no less than 63·4 per cent.*

The public revenue of the United Kingdom, including the post office, is collected for 6½ per cent. of the gross produce. The portion raised in Ireland costs a greater proportional expense than that raised in Britain; but the discrepancy is now much less than it was a few years since. The excess of cost is, no doubt, mainly owing to the different situation of Ireland and to the more defective system of taxation which, till recently, was established in it. The collection of the post office revenue of the United Kingdom, or rather the expense of carrying on the business of the department, amounted in 1860-61 to 58*l.* 12*s.* 2*d.* per cent. of the gross return. (*See Return in Appendix.*)

In countries under free or constitutional governments the reduction or repeal of taxes is frequently proposed in the view of courting popularity, or of favourably influencing public opinion. And the desire to grasp an immediate advantage, to be relieved of a burden, without caring for the ultimate consequences of its extinction, is so extremely prevalent that such projects, though often very undeserving, seldom fail to procure a less or greater share of the public sympathy for those by whom they are put forth. Statesmen, however, and those intrusted with the duties of government, should take

* Block, "Statistique de la France," i. 423.

a less circumscribed view of such matters, and are bound to inquire into the real character of the measures that come before them, and to weigh and consider their more remote as well as their proximate results. Their duty is to oppose, not to pander to the selfish and unfounded prejudices of the public. Whenever, indeed, a tax is oppressive, unfair, or unjust, its repeal, if it can possibly be dispensed with, should follow as a matter of course. But such instances must now be of rare occurrence; and, speaking generally, all measures that involve the sacrifice, in whole or in part, of any considerable amount of revenue should be treated with the greatest care and caution. Their popularity should make them be suspected, for it shows that they either affect or are believed to affect large classes of people, and it is such taxes only that are productive. It ought never to be forgotten, in discussing these matters, that to provide for the public necessities, a sum of about 70,000,000*l.* a year must be raised by one means or other; and while such is the case, the popularity of the proposal says but little for the repeal or modification of any tax. The real questions are, can the tax be spared? and, if not, can it be replaced by a less inconvenient or injurious tax? If it can neither be spared nor replaced by another that is less objectionable, its repeal would be as futile, as inexpedient, and as unadvised a measure as can well be imagined.

In dealing with taxes, those in existence have various recommendations over those that may be substituted in their stead. There have, it is true, been a few instances in which the commutation of taxes has been highly advantageous, but in others it has been quite the reverse; and it is not a change that should be attempted without mature consideration. A tax that has been established for some years (unless it be, like the income tax, of an intractable type) is usually found to have accommodated itself to the public exigencies. When the friction incident to its commencement has worn off it works easily and smoothly. Whatever disturbance it may have originally given to the distribution of capital and the price of produce, is, in no long time, either wholly or in great

part obliterated, and the tax itself usually comes to be reckoned of little or no importance. Inasmuch, too, as it is not possible to abolish even a bad or questionable tax without giving more or less of a shock to industry, great caution is required in the repeal of taxes, especially when it involves either the increase of old or the establishment of new ones. In such cases it is often better

> "to bear those ills we have,
> Than fly to others that we know not of."

During the last few years we have repealed many duties and sacrificed a large amount of revenue. And though this policy has been in some respects advantageous, it will subsequently be seen that there are good reasons for being apprehensive lest it has been carried to such an extent as to be hostile to the public interests.

It would seem to have become a principle of European policy that whenever a country has a surplus revenue, however small, an equal amount of taxes should be repealed. And, provided the taxes which it is proposed to repeal be of a peculiarly objectionable character, this may, perhaps, be the best course to follow. But otherwise it would appear to be more than doubtful whether any remission of taxation should take place in most countries, unless their revenue exceed their ordinary expenditure by some 5 or 10 per cent. of its amount. Private individuals occupying considerable stations, who could not meet any sudden increase of expenses without trusting entirely to borrowing, or other extraordinary expedients, would not be considered as having displayed much prudence in the management of their affairs. And so it is with nations. Great nations, such, for example, as England and France, with colonies and dependencies in all parts of the world, and jealous and powerful neighbours, must expect to be, every now and then, involved in difficulties, and, on that account, should have a considerable surplus revenue, or a considerable surplus after defraying the cost of their usual establishments. In ordinary years this surplus, being applied to the payment of

the national debt, would act beneficially on public credit; and when difficulties and dangers occur, it would place them in a situation of comparative security, and enable provision to be made for a considerable increase of expenditure, without being obliged to have immediate recourse to novel and probably ill-considered expedients. For these reasons we are inclined to think that the policy we have followed for a number of years, of having either no surplus revenue, or but a very small one, is of a very questionable character. It savours too much of what Lord Castlereagh called an "ignorant impatience of taxation." Had the affair in regard to the Trent led, as it was not unlikely to do, to a war with the United States, it would have found us in an awkward situation, without any surplus revenue, with discredited customs and excise duties, and nothing to fall back upon but an increase of the income tax and loans. Happily the danger was averted, but that says nothing for our policy. The same sort of thing may recur any day, when, perhaps, it might not find us much better provided. The states of Europe are universally, as the phrase has it, "hard up." If they can contrive to meet their ordinary expenditure, which is but seldom the case, it is all they seem to care for. They have but little at their bankers, nothing to enable them to meet or defeat any unlooked-for exigency that may arise. This, however, is surely not a state in which great nations ought to be. And hence we repeat that unless it can be shown that a tax is peculiarly mischievous, the fact of there being a small surplus revenue is no sufficient ground for its repeal.

It must, however, be acknowledged that the system objected to has been approved by Ricardo and other authorities. They contend that the best, or rather the only good security for a pacific system of policy is the necessity, whenever the revenue and expenditure are nearly equal, of imposing taxes to carry on new wars; that when there is a surplus revenue there is no such necessity, as it may be, and always *is*, employed, either to defray the interest of whatever loans may be required, or to meet the other expenses incident to the

commencement of a contest; and that when the main difficulty in regard to the entering into a war is thus got rid of, the probability is that it will be undertaken with comparatively little consideration, while it may be waged, for a longer or shorter period, without the public feeling what would otherwise be among its immediately injurious results. But this theory, though plausible, has little more than the semblance of a foundation. It is more than doubtful whether the fear of incurring an increase of taxation ever had the smallest influence in preventing any people from engaging in hostilities. When national passions and prejudices are once roused, such considerations are entirely disregarded. Though of the most economical habits, and overwhelmed with taxes, the Dutch were much more bent upon prosecuting the war against Louis XIV. than either the English or the Austrians. And the miserable contest now raging in America was begun without either party having any surplus funds at their disposal, and has been carried on apparently without the smallest regard to its enormous expense. The increasing pressure of taxation may eventually make a people, whose animosities have begun to subside, inclined to avail themselves of any fair opportunity for terminating a contest; but the anticipation of such pressure is quite impotent to hinder them from engaging in it. To be either feared or appreciated, it must be strongly felt. But while the possession of a surplus revenue, or real sinking fund, is no incentive to the warlike propensities of any people, it impresses foreigners with a higher opinion of their power, and makes them less disposed than they might otherwise be to put forward unjustifiable pretensions. And as no one doubts that it enables those who are involved in hostilities to select the best means of carrying them on, there would really seem to be no question in regard to its being advantageous.

Taxes may be collected by officers employed for that purpose; or they may be let *in farm* for a rent certain, giving the lessees or their servants power to collect them. The answer to the question, which of these methods of collection

should be adopted, depends on a variety of circumstances. Well defined taxes, which may be assessed and collected according to certain fixed rules, with little reference to the parties interested, may generally, perhaps, be farmed with advantage. In such cases the proceedings of the farmers could not well excite the prejudices of the contributors, while the greater vigilance and economy that are usually displayed by those who work on their own account would most likely enable them to pay a larger sum for the taxes which they farmed, than government would have much chance of receiving from its own agents. But taxes which are not well defined and easily assessed should certainly be collected by government servants. It is probable, indeed, that they might be more productive were they farmed; but, though an important consideration, this is not the only one to be attended to. Such taxes, by requiring investigations to be made into the affairs of individuals, are always unpopular; and when these are prosecuted by farmers having a personal interest in the tax being rendered as productive as possible, their unpopularity is much greater than when they are prosecuted by public officers, paid by salaries, who have no special interest in the matter. The mass of the people always ascribe much of the hardship of such taxes, if they be collected by farmers, to their vigilance and keenness; they believe that a considerable portion of what they pay goes into the pockets of the collectors; and that, besides being taxed for public purposes, they are taxed to add to the fortunes of a class who are universally objects of popular dislike. We admit that these suspicions and complaints are in most cases destitute of any good foundation. The farmers, in enforcing payment of a tax, must act according to the provisions of the law by which it is imposed; and the fault lies with those who framed the law, and not with the farmers, if its pressure be unequal or severe, or the mode of its collection vexatious or troublesome. But, however groundless, the prejudice against the latter will always exist, and should be taken into account. Perhaps we overrate its influence; but we have little doubt that, were an income-tax of three or four

per cent. let in farm, established instead of one of four or five per cent. levied by Government officers, it would be generally considered the more vexatious of the two. Although, therefore, we are not disposed to concur with Smith in his opinion that *all* taxes should be collected by the officers of Government,* still less can we concur with Bentham, who has endeavoured to show that farming is in every case the preferable mode of collection.† There seems no good reason for supposing that taxes on stamped paper, houses, windows, horses, carriages, and perhaps also the customs-duties, might not be advantageously collected by letting them to farmers; but any attempt to farm taxes on income, excise-duties, or taxes which involve an interference with private affairs, would excite the most violent clamour, and could not be otherwise than pernicious.

Taxes in most civilised countries have, for a lengthened period, consisted of contributions of produce, or money, generally the latter. Formerly, however, labour taxes, or contributions of personal services for the execution of public works, were common here and elsewhere, and though among the very worst species of taxes, they are still far from being entirely relinquished. Their advantage to the public is but little compared with the injury they inflict on the contributors. Those who are made to work without pay, and against their inclination, uniformly waste their time and energies; and frequently also a heavy loss is incurred by the interruption of the regular pursuits of the labourers, who may be called away with their teams to assist at public works, at the very time when they are most necessary at home. When Turgot entered on his administration, he sent a circular letter to the road surveyors and engineers of the different provinces of France, directing them to transmit estimates, framed on the most liberal scale, of the sums of money for which the usual repairs might be made on the old roads, and the ordinary number of

* "Wealth of Nations," p. 409.

† "Théorie des Peines et des Récompenses," tome ii. p. 203.

new ones constructed. The returns showed that an annual money contribution of about 10 millions of livres would suffice for the repair and construction of the different roads; whereas it was proved that the execution of these repairs and constructions by means of forced labour, or *corvées*, cost not less than 40 millions, or four times as much as the other!*

The practice of making and repairing roads by contributions of labour was at one time general throughout Europe; the principle being embodied in the Roman law, whence it was introduced into the common law of this and most modern states. Indeed the obligation to assist in the repair of the roads formed part of that *trinoda necessitas*, from which no individual was exempted, whatever other immunities he might enjoy.† In 1555 the statute 2 & 3 Philip & Mary, cap. 8., enacted that two surveyors of roads should be annually chosen in every parish, and that the inhabitants should be obliged, according to their respective abilities, to furnish labourers, carriages, tools, &c., for four (afterwards increased to six) days, to work at the roads in the parish under the orders of the surveyors. But though the system established by this act, from its making the surveyors responsible in some measure for the state of the roads, was at the time a great improvement, it was, notwithstanding, for the reasons already stated, in many respects most objectionable; and we are assured, by an excellent judge, that "the six days' duty on the highways is done so miserably, and so much time is necessarily lost by going to a distance, that nobody can doubt that any new road or considerable work might be made by a private man, or an appointed surveyor, with teams for the purpose, for *a tenth* part of the sum which it would cost if performed by parish-work."‡ But despite this experience, the construction, repair, and police of the cross or parish roads continued, down to a comparatively

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* Say, "Economie Politique," ii. 345.

† The *trinoda necessitas* embraced *expeditio contra hostem, arcium constructio, et pontium (vel itinerum) reparatio.*—Blackstone, book i. c. 9.

‡ Young's "Political Arithmetic," part i. p. 192.

late period, to be principally regulated by the statute of Philip and Mary.

The great increase of wealth and population in the latter part of the 16th and during the 17th century compelled in the end recourse to be had to a different system for the construction and repair of the principal roads, especially those in the vicinity of London. It was introduced by statute 26th Charles II., cap. 1., which imposed tolls, or duties, collected at toll gates, (called turnpikes,) on all travellers along the great north road; the management of the road being at the same time vested in trustees authorized to expend the revenue derived from the tolls on its improvement. How singular soever it may now appear, this plan was for a lengthened period exceedingly unpopular. It was not, indeed, till after the peace of Paris, in 1763, that turnpike roads began to be extended to all parts of the kingdom; and that the means of internal communication began, in consequence, to be materially improved. The turnpike roads of England and Wales extend at present to the length of about 25,000 miles.

Turnpikes being erected only on the principal roads, the old plan for keeping up cross or parish roads was not affected by their institution. The individuals subject to be assessed for compulsory labour on the latter were, however, at a distant period, authorized to compound, if they thought fit, with the surveyors, according to certain fixed rates; though in consequence of the difficulties in the way of compositions, and the ignorance of the parties, the value of the labour paid in kind amounted, according to the official returns, previously to the introduction of the existing system in 1835, to from 500,000*l.* to 600,000*l.* a year. But the act passed in the last-mentioned year has entirely superseded the old system, and, instead of contributions of labour, a rate is now imposed, on the basis of the poor-rate, for the sums required for the construction and repair of cross and parish roads.

The system followed in Scotland with respect to roads was similar to that followed in England. An act passed in 1669 compelled the agricultural population to work six days in each

year on the public roads. This contribution was commuted, in the early part of the reign of George III., for a tax on land, rated according to its valuation in the cess-books. This commutation has been of the greatest advantage. Previously to its taking place, the roads in Scotland were, perhaps, the very worst, and they have since become among the very best in Europe.

Contributions of labour or personal service are, also, enforced for other objects, that have attracted less notice (at least from economists) than *corvées*, though, from the magnitude to which they have latterly attained, they have become of the greatest importance. We allude to the system followed in most states of obliging the individuals comprised between certain specified ages to serve for some fixed period, in the event of their being called upon, in the army or navy, or both. This system, which prevailed in antiquity, used to be resorted to in cases of emergency in modern times. But its adoption as the grand, or rather as the only reliable, means of recruiting armies, and its consequent extension, dates from the struggles that grew out of the first French Revolution. In 1798 the republican legislature passed the famous law which established what has since been called the *conscription*. After declaring that all Frenchmen between twenty and twenty-five years of age were liable to serve their country in the regular army, it directed classified lists to be made out of the individuals included within these ages, from which the required number of recruits, or conscripts, were to be taken by lot. The principle thus laid down has ever since been acted upon; and, in addition to the armies of France, those of Prussia and the other German states, Russia, and Austria, are now principally made up of conscripts balloted for from certain classes of the population. Napoléon I. said, in reference to this system, that it was "*le mode de recrutement le plus juste, le plus doux, le plus avantageux au peuple*;" and authorities have not been wanting who have recommended its introduction into this country. But, not-

withstanding the deference due to those who maintain the contrary, the plan of recruiting by voluntary enlistment is the only one which is consistent with justice, or a due regard to the rights of individuals, at the same time that it is in other respects by far the best. We do not mean to deny that the conscription, provided it be equal and impartial, has some advantages on its side; but they are very much overbalanced by the oppression and other disadvantages inseparable from it. Among the individuals subject to a conscription, there is the greatest diversity of physical vigour, tastes, and tempers, some preferring the military to every other profession, while others hold it in abhorrence. The plan of voluntary enlistment avails itself of these differences. Far from offering violence to any one, it gratifies all, by enabling those who prefer a military life, and those who prefer other pursuits, to indulge their tastes without let or hindrance. The conscription, on the other hand, introduces a species of fatalism where there should be choice and discrimination; the chances being equal that the lots will fall upon individuals most disinclined to enter the army. Who would think of forcing people to become miners, shoemakers, or weavers? And why should the state attempt to enforce a practice productive of still greater hardship and injustice? If soldiers could not be procured otherwise, it might be admitted that necessity formed a valid excuse for the introduction of the conscription; but this is very far, indeed, from being the case. Men in abundance may always be found, without any compulsory process, and with very moderate encouragement, ready to undertake any employment how disagreeable or hazardous soever. But the free and adventurous life of a soldier has many powerful attractions. Even during war, the dangers and privations of campaigns are underrated, and the chances of advancement exaggerated, in the heated imaginations of the young and inconsiderate. And unless their pay and other advantages be decidedly below what the state of society requires, a moderately populous country may always obtain any number of troops by voluntary enlistment.

It is seen, therefore, that the conscription is unnecessary as well as oppressive. Wherever it is resorted to, the population suffers from a twofold grievance; the conscripts having frequently an unsurmountable aversion to the profession in which they are compelled to engage, at the same time that they are underpaid while engaged in it.

In addition to the hardship which it imposes, a conscription is almost always unequal in its operation, pressing with its utmost severity on certain classes of the population, while others are wholly or partially exempted. If all ranks and orders were equally subject to its influence, the imputation of partiality would, of course, fall to the ground. This, however, is but seldom the case. The upper classes are not usually subject to the ballot, and the custom of admitting substitutes is also very prevalent. But whenever an individual chosen by lot to serve as a conscript may send a substitute in his stead, the conscription obviously degenerates into the worst sort of capitation-tax, subjecting the wealthier part of the community to a mere pecuniary contribution, instead of one which the lower ranks must pay with their personal service, and probably their blood.

It is not easy to find words sufficient to depict the hardship and injustice of such a system. And yet we regret to have to say that this was the mode in which the militia in this country was recruited during the late war; so that we have a more intimate acquaintance with the principles and practice of the conscription than is generally supposed. It is, however, to be hoped that no attempt will again be made to renew the suffering inflicted by the militia laws on the lower classes during the period referred to. A conscription is tolerable only when *omnium versatur urna*—when the destiny of rich and poor, high and low, is alike subject to the event of the ballot. To throw it exclusively on the poor by exempting the higher classes, or allowing them to serve through substitutes, is subversive of all sound principle, and of every natural and constitutional right.

Compulsory service has not, however, been confined to

the army and militia. Here, at least, it has been carried to a still greater extent in the case of the navy. For a lengthened period, it appears to have been taken for granted that impressment was indispensable, especially at the breaking out of a war, for the manning of the fleet. This, however, is not the case, and sailors, like soldiers, may be obtained in sufficient numbers, under a proper system, by voluntary enlistment.* It is needless to dwell on the violence and tyranny inseparable from the practice of impressment. It may, however, be worth while to observe that their liability to this oppressive treatment, by obstructing the entry of young men to the sea-service, and lessening the supply of sailors, tends, especially during war, to raise their wages far above their natural level, to the extreme injury of the queen's and of the merchant service. "The custom of impressment," said Mr. Richardson, "puts a free-born British sailor on the same footing as a Turkish slave. The Grand Seignior cannot do a more absolute act than to order a man to be dragged away from his family, and, against his will, run his head against the mouth of a cannon. And if such acts should be frequent in Turkey upon any one set of useful men, would it not drive them away to other countries, and thin their numbers yearly? And would not the remaining few double or treble their wages?—which is the case with our sailors in time of war, to the great detriment of our commerce."†

In corroboration of what has now been stated, it may be mentioned that, while the wages of ordinary labourers and artisans are uniformly higher in the United States than in England, those of sailors have been commonly lower. The reason is, that the navy of the United States has been manned by means of voluntary enlistment. The Americans have had wisdom enough to relinquish a practice which would have driven their best sailors from their service, and forced them,

* See note on Impressment in the edition of the "Wealth of Nations" by the author of this work.

† "Essay on the Causes of the Decline of Foreign Trade," ed. 1756, p. 24.

when they happened to be at war, to man their fleet with the sweepings of their gaols.

It was estimated that there were from 15,000 to 16,000 British sailors on board American ships at the close of the great war with France; and the wages of our seamen, which in time of peace rarely exceed 50*s.* or 60*s.* a month, had then risen to 100*s.* and 120*s.*! This extraordinary influx of British seamen into the American service, and no less extraordinary rise in their wages at home, was occasioned by our continuing the practice of impressment after it had been abandoned by the United States. Formerly our seamen were in the habit, on the breaking out of a war, of deserting to Holland; but the difference of language was an insuperable obstacle to this practice being carried to any very considerable extent. Now, however, that America is open to them, nothing could have countervailed the inducements to desertion short of the abolition of impressment, which practically has been effected. And while there are no good grounds for thinking that we shall be inconvenienced by this change of policy, the efforts of the Americans to increase their naval power will not be assisted by our clinging to a system fraught with injustice and cruelty.

PART I.

DIRECT TAXES.

It is impossible, for the reasons noticed in the previous pages, to regard such taxes as really fall on capital as permanent sources of public income. Capital consists of produce saved from immediate consumption, and employed partly as wages to maintain those who are engaged in the great work of production, and partly as instruments to facilitate their labour. Its amount and efficiency determine the amount and efficiency of productive industry. And it is, therefore, plain that whatever diminishes capital, or converts it into revenue, must, by diminishing the means of employing and facilitating labour, be a fruitful source of pauperism. This, however, would be the necessary effect of taxes on capital, unless they were neutralized by greater industry and economy. And as this countervailing influence cannot always be depended upon such taxes should be regarded as an extraordinary resource, not to be resorted to except in cases of necessity. The misapplication and destruction of the means of production which they usually occasion would not only defeat every attempt to render them permanent, but would, by impoverishing and exhausting the country, render all other taxes comparatively unproductive. "*Nulle richesse nécessaire aux travaux de la reproduction n'en peut être détournée sans nuire à cette reproduction, à la richesse nationale, et, par suite, aux moyens de puissance du gouvernement.*" *

It is not from capital, therefore, but from revenue, that permanent taxes should be derived. And as revenue must be drawn from rents, profits, or wages, or from two, or all of these sources, it follows that every tax which does not fall

* "Œuvres de M. Turgot," iv. 345.

on capital must, however imposed, ultimately be derived from one or more of those varieties of income. Without further preface, therefore, we shall proceed to trace the incidence and effect of taxes on rent, profit, and wages. When we have ascertained the way in which they operate, it will be comparatively easy to investigate the influence of a tax meant to fall equally on all varieties of income.

CHAPTER I.

TAXES ON RENT.

SECTION I.—TAXES ON THE RENT OF LAND.

ADAM SMITH'S opinion that taxes on the rent of land, taking the term in its popular and broadest sense, fall wholly on the landlords, is no doubt an error.

The gross rent paid by the occupier of an improved farm is uniformly derived from two distinct sources, and is consequently divisible into two portions, whereof one is paid for the use of the natural and inherent powers of the soil, and the other for the use of the buildings, roads, drains, fences, and other improvements made on the farm. What is properly called rent, consists of the first only of these portions; the second, though usually included under that term, being the return to, or profit derived from, the capital expended upon the land. There are but few instances in old settled and densely peopled countries in which the rent even of superior farms is not derived from both these sources; though, from the various ways in which large classes of improvements are mixed up and blended with the soil, it is rarely possible for the most experienced agriculturist to separate his rent into its proper elements, or to discriminate, with much precision, between the sum which he pays to the landlord as proprietor of the soil, and that which he pays him as profit on the capital that has been laid out on its improvement.

If, however, this distinction were either made or approximated to with anything like accuracy, government might appropriate, by a special tax, that portion of the gross rent, which is paid for the use of the natural powers of the land, without its being in the power of the landlords to escape its payment, or to throw any part of it on any one else. This is a consequence of the portion in question being extrinsic to the cost of production. Rent, in the limited sense in which we are now considering it, originates in the varying fertility and situation of the soils successively brought under cultivation. The most fertile lands in a country, or those which are usually first brought into tillage, may be supposed to yield, to a given outlay of capital and labour, 100 quarters of corn, while lands of a secondary quality only yield, to the same outlay, 90 quarters, lands of the third quality 80 quarters, and so on. It is not necessary, for the elucidation of this subject, that we should enter into any lengthened examination of the various questions involved in the theory of rent. It is enough to state that it has been demonstrated over and over again, that the produce raised on the last or poorest quality of land under tillage is, in ordinary seasons, sold at or near its necessary price, or at that price which merely affords the cultivators ordinary profits, without including any payment on account of rent. And supposing that the fourth or lowest quality of land in cultivation yields 70 quarters, then as the same outlay which produces 70 quarters on it produces 100 quarters on land of the first quality, 90 on that of the second quality, and 80 on that of the third quality, it is obvious that, to place all the cultivators in the same condition, those occupying the best land will have to pay its proprietors a corn-rent of 30 quarters (100—70), or a corresponding money-rent; while those occupying the secondary land will have to pay 20 quarters (90—70); those occupying the third, 10 quarters (80—70), and so on, according as cultivation is extended.

If all or any of these lands have been improved previously to their being let, then, of course, they will bring an additional rent, which will be the interest or profit of the capital ex-

pended upon their improvement. But, to simplify the question, it is best to keep such considerations for the moment out of view, and to fix our attention in the first instance only on that portion of the rent which is paid for the use of the natural powers of the soil. And it is easy to see that, provided it could be separated from the other, this portion might be entirely swept off by a tax, without prejudice to the interests of any class except the landlords. A tax affecting it only could not affect the price of corn or other raw produce; for nothing can do this, unless it either affect the cost of its production or its supply. And a tax on the real rent of land does neither. It cannot, it is evident, influence the cost of production; for it consists of the surplus remaining after that cost has been deducted, and the cultivators have realised the current rate of profit on their capital. And, though it would vary the distribution of the produce, it is obvious that a tax which has no influence over its production would not affect its supply. The true conclusion consequently is, that the prices of farm produce would continue unaffected, though a tax were imposed absorbing all the real rent of land, or the sum paid for the soil only.

It would not, however, be possible, supposing the attempt were made, to appropriate by a direct tax the entire *gross* rent of the land, or the total sum paid for improvements as well as for the soil. Whatever portion is paid for the former consists of the profits accruing upon the capital expended upon houses, fences, drains, roads, manures, and other outlays required for the profitable cultivation of the land. This capital requires to be perpetually renewed; and being in no respect different from that which is employed in other departments of industry, if it be affected by peculiar taxes, or by taxes which do not affect other businesses, they will either be defrayed by increased economy or by a rise of prices, or both.* Suppose, for example, that the gross rent of a farm is 500*l.* a year, of which a half, or 250*l.*, is

* See next chapter.

the interest of capital laid out upon it: if, in this case, a tax of 10 per cent. were laid on rent, only a half, or 25*l.* thereof, would be permanently paid by the landlord. In the first instance the whole 50*l.* might fall upon him; but 25*l.* of this payment would, it is plain, be a deduction from the profits of the capital of the landlord, and not from his rent properly so called. And the landlords being consequently placed in a comparatively unfavourable situation, no more capital will be expended upon the soil on their account until the pressure of the tax is met by greater industry, or the price of farm produce is raised by the diminution of its quantity, or the increase of demand, so as to place them in the same situation as other producers, that is, until the capital vested in improvements yields the customary rate of profit.

It would, therefore, appear that, though it be possible to force into the coffers of the treasury, by an exclusive tax, that portion of the rent of land which is paid for the use of the soil, the other portion, or that paid for improvements, would not be permanently affected by such tax, and would, speaking generally, be taxed only to the extent to which profits in other departments are taxed.

In a practical point of view, taxes on the rent of land are extremely objectionable. We have seen that it is quite impossible to separate rent into its elements, or to say how much is paid for the soil and how much for improvements. In cases of this sort, no two agriculturists ever arrive, unless by accident, at the same conclusion; and the best judges affirm that the distinction may be looked upon as impracticable. When, therefore, a tax is laid on rent, it is necessarily proportioned to its gross amount, or to the total sum paid to the landlords, without regard to the sources whence it is derived. Inasmuch, too, as it is the interest of all parties to conceal its amount, it is no easy matter to ascertain this gross rental. But, without dwelling on this circumstance, it is easy to see that a tax on rent is one of the least expedient that can be suggested. The return for outlays on the soil being included in rent, a tax on it is, in fact, a tax on improvements, which it either dis-

courages, or, it may be, wholly prevents. Hence its paralysing influence over the most important branch of national industry. Instead of being carried from other employments to agriculture, capital is then carried from agriculture to them. Landlords and occupiers rather wish to have their farms look ill, than to have them look well; and it may be said of farms as of individuals—

"Pauper videri vult Cinna, et est pauper."

A tax of this sort discourages those virtues and that liberal expenditure on the land which all wise governments endeavour to promote. We doubt, indeed, whether it be possible to name an impost more at variance with sound principle, or more adverse to substantial improvement.

"In husbandry," says Paley, "as in every other employment, the true reward of industry is in the price and sale of the produce. The exclusive right to the produce is the only incitement which acts constantly and universally; the only spring which keeps human labour in motion. All, therefore, that the laws can do is to secure that the full and entire advantage of every improvement go to the benefit of the improver; that every man work for himself, and not for another; and that no one share in the profit who does not assist in the production." *

But supposing that the distinction previously alluded to could be made, or that rent could be readily discriminated into its elements, and the sum paid for the use of the soil separated from that paid for the use of the capital expended upon it, the imposition of a peculiar tax on the first-mentioned portion would be most unjust as well as inexpedient. If direct contributions for the public service be resorted to, they should, in as far as possible, be universal, and proportioned to the means of all varieties of contributors. Government should never abandon this fundamental principle or yield to exaggerated and fallacious estimates of the advantages to be derived from laying taxes on certain classes of individuals, or descriptions

* "Moral and Political Philosophy," book xi. c. 11. Paley's forcible denunciation of tithes is founded on or results from the principles laid down in this admirable paragraph.

of income. All sorts of property which have been lawfully acquired should be considered as equally sacred and equally entitled to protection. It is, no doubt, true, as stated by Mr. Ogilvie* and others, that landlords, as such, are not producers, but merely receivers of income which would otherwise belong to the state. But a right of property in land has been everywhere coeval with the establishment of civilized societies; and to invade it, whether by depriving landlords of any of the advantages fairly resulting from its exercise, or by making them contribute more than their fair share to the exigencies of the state, would be little else than barefaced robbery. "Rent," to use the words of Ricardo, "often belongs to those who, after many years of toil, have realized their gains, and expended their fortunes in the purchase of land or houses; and it certainly would be an infringement of that security of property which should ever be held sacred, to subject it to unequal taxation."† In politics, as in everything else, justice is the only safe policy, the permanent interest of all men and all communities. "*Nihil est quod adhuc de republicâ putem dictum, et quo possim longius progredi, nisi sit confirmatum, non modo falsum esse illud, sine injuriâ non posse, sed hoc verissimum, sine summâ justitiâ rempublicam regi non posse.*"‡

As rent must unavoidably arise in the progress of society, it has sometimes been suggested that it would be good policy for the governments which are now being established in Australia and America, that have large tracts of fertile and unappropriated land at their disposal, to retain it as public property, letting it in the meantime by auction, in such portions and for such numbers of years as may be deemed advisable. It is said that the increasing rent that would be obtained as population became denser would provide a fund by which the public necessities might be, in part at least,

* "Essay on the Right of Property in Land," *passim*.

† "Principles of Political Economy," 3d ed. p. 230.

‡ Cicero, "Frag. de Repub.," lib. ii.

provided for, without having recourse to taxes. This, however, though it would not be an unjust would be a very questionable system of policy. Whatever produce may be obtained, under any circumstances, from the ground is always brought to market, and divided in pretty fair proportions among its inhabitants; and such being the case, the real question is, which is the method of occupancy best fitted to develope the productive energies of the land, to make it supply the greatest quantity of food and other materials? And about this there can be little difficulty. It would be in vain to look in a country wholly occupied by tenants at will, or tenants holding under leases for reasonable terms of years, for many of those expensive improvements in drainage and planting, and in the construction of houses, roads, bridges, fences, &c., necessary to the comfort of the inhabitants, and the full development of the productive powers of the soil. These are works which are effected by those only who are its absolute proprietors, and are able to bequeath it to others. Farmers might, indeed, be encouraged, by increasing the length of leases, to make greater outlays of capital. But, however let, a right of private property in land is the most efficient stimulus to its improvement. Those to whom it belongs are most disposed to avail themselves of every suggestion that may be likely to increase its value, and, when careless in other respects, they generally endeavour, by enforcing rules as to management, to keep their farms in good condition, especially towards the termination of their leases. This last is a matter of infinitely more importance than is generally supposed, and much of the prosperity of agriculture depends on the attention which it receives. But if the lands of an extensive country belonged to government, the presumption is that the tenants would act according to the old adage,—

> "He that havocs may sit;
> He that improves must flit!"—

and, however inattentive to their business, would take care that, previously to the termination of their leases, their farms

should be in such a state that there would be little chance of their being removed or their rents raised. It may be supposed, perhaps, that these inconveniences might be obviated by employing inspectors to enforce conditions in regard to management. But in an extensive country this would be next to impracticable, without incurring an immense expense; and though this were not the case, the jobbing and favouritism to which it would inevitably give rise would, in no long time, make the inspection be regarded as an unmixed nuisance. It is idle, indeed, to think that a right of private property in land can ever be advantageously dispensed with. Its establishment is the grand source of civilization. It gives birth to the love of country and of posterity. And by associating the destiny of the landlords with what is imperishable and susceptible of indefinite improvement, it teaches them to look forward to a remote futurity, and to form projects, and engage in undertakings in which tenants for an ordinary term of years would never dream of embarking. The plans of the latter are circumscribed by the duration of their leases. They are merely, as it were, possessors of a terminable annuity; their only object being to make the most of the land during the term for which they are to hold it, without thinking or caring about the state in which they may leave it. The proprietor, on the contrary, combines, in his plans, the future with the present; and is anxious as well for the continued amelioration, as for the immediate productiveness of his estate. "*In his elaborant, quæ sciunt nihil omnino ad se pertinere; serunt arbores quæ alteri seculo prosint.*" * The importance of a right of property in land is, indeed, so very obvious, that it has been recognized from the earliest periods. The author of the book of Job places those who removed their neighbours' landmarks at the head of his list of wicked men; while other ancient writers ascribe the origin of laws and government to the partition of the land.† And we may be assured that the amount

* Cicero, "De Senect."

† Goguet, "De l'Origine des Loix," &c., I. liv. i. cap. i. § 2.

of wealth, conveniences, and enjoyments in a country with a right of property in land, will always very greatly exceed their amount where no such right is established.

It may, perhaps, be alleged that if landlords have, under an equal system of taxation, to pay a certain portion of their incomes, it must, after all, be immaterial whether it be taken from them by a tax on rent or by any other means, the great object being to make sure that they pay this portion, neither more nor less. But though it be immaterial to the revenue how the sum is raised, the previous statements show that it is very far from being immaterial to the landlords or the public. In taxation the direct is not always, nor even most frequently, the best road. Taxes should in all cases be imposed so as to interfere as little as possible with industrial pursuits. In this respect, however, taxes on rent are peculiarly objectionable. By obstructing, and, indeed, frequently arresting, agricultural improvements, they are, even when least burdensome, most inexpedient; and when carried to any considerable extent, they go far to dry up what would otherwise be a prolific source of national wealth. But if the sum that the landlords should pay be drawn from them by means of judicious taxes on expenditure, little if any harm is done to industry, and their interests, as well as those of the public, are equally promoted.

It is one of the greatest imaginable errors to suppose that the only thing to be attended to in taxation is the realising of a certain amount of revenue. This, no doubt, is the problem to be effected; but as much depends on the way in which it is effected as on the thing itself. In taxation, as in surgery, a necessary and even simple operation may, if performed unskilfully, be fatal. The sagacity of the financier is exhibited in carefully weighing the consequences of different plans; and in endeavouring to assess and collect the necessary sums by such methods, whether direct or indirect, as may occasion the least inconvenience to the contributors and the least harm to industry.

It is unnecessary, after what has been already stated, to take up the reader's time by entering into any lengthened discussions respecting the theory of Quesnay and the Economists, who contended that all taxes, however imposed, fell ultimately on the land; and who, consistently with this opinion, recommended that all existing taxes should be repealed and replaced by a single tax (*l'Impôt Unique*), laid directly on the nett produce or rent of the land. Quesnay and his followers were led to this extraordinary conclusion by supposing that as the earth furnishes the matter of which all articles are made, it is, therefore, the only source of wealth. But everybody knows that until labour has been employed to appropriate matter, and to fashion and prepare it for our use, it is destitute alike of utility and value, and is not and never has been considered as forming wealth. Notwithstanding their extreme variety, the giving of utility to that matter, which is, in every case, spontaneously furnished by nature, is the sole end and object of all industrial operations. And it has been repeatedly shown that the labour which is employed in manufactures and commerce is in all respects as creative of utility, and consequently of wealth, as that which is employed in agriculture. *Labour*, therefore, and not land, is the real source of wealth. And there is not, nor can there be, any reason why corn, cattle, and other farm products, should be taxed in a greater or less degree than other goods manufactured at home or imported from abroad.

It may be further observed, in explanation of the economical theory, that Quesnay, and even Adam Smith, regarded the rent of land as a peculiar product or special bounty of nature to the agriculturists. But in this they were entirely wrong. Nature is unpolluted by any taint of favouritism. She is equally bountiful to her children, whether they cultivate the land, fashion its products into articles of use or ornament, or convey them from where they are abundant to where they are scarce. She works for us at all times and in all places. Without her helping hand the labours of the husband-

man would avail nothing; she unfolds the germ, feeds and ripens the growing plant, and brings it to maturity. But what could the manufacturer or artisan do, did not nature supply him with the products of the forest, the field, and the mine, whereon to exert his industry?—did she not lend him her streams, the agency of fire, the elasticity of steam, and the great law of attraction, to put his machinery into motion, give efficiency to his labour, and all but omnipotent strength to his feeble arm? Without the polarity of the magnet, the action of the winds, and the buoyancy of the seas and rivers, how could the ships and goods of the merchant be conveyed to the remotest corners of the world? Nothing, indeed, can be more completely erroneous than the allegation that "nature does nothing for man in manufactures."* Her creative agency is indispensable and equally powerful in every department of industry. How ingenious soever, all theories which assume the contrary must be entirely fallacious. Probably, however, it was hardly necessary to say so much in elucidation of what is so very clear. It is sufficient to state that rent, in so far as it does not consist of the profit of capital vested in improvements, is a mere consequence of one piece of land being more fertile or better situated than another; and that it depends in no degree on the superior productiveness of agricultural industry.

It is singular that the practical impossibility of their proposal for the consolidation of all taxes into a single tax on rent did not lead the Economists to suspect the fallacy of the principles whence they deduced their conclusions. At present (1862) the gross annual rental of the landed property of Great Britain may be estimated at about 50,000,000*l.*,† and that of Ireland at about 8,000,000*l.*,‡ making together 58,000,000*l.* But the expenditure of the country, excluding poor-rates, and

* "Wealth of Nations," p. 161.

† It amounted in 1860, according to the income-tax returns, to 49,221,889*l.*

‡ The rent of land in Ireland is not specified in the income-tax returns; but the amount charged in 1860, under schedule A, which includes houses, &c., is stated to be 12,893,829*l.*

other local taxes, has of late been little short of 70,000,000*l.* a year, if it do not exceed that amount; so that unless a method should be found of taking a greater from a less, the *Impôt Unique* is here, at least, impossible. After the whole landed property of the kingdom had been confiscated, it would be necessary to raise twelve millions a year by taxes of one sort or other.

Although, however, the rental of the United Kingdom had amounted to 80,000,000*l.* or 100,000,000*l.* instead of 58,000,000*l.*, or at most 60,000,000*l.*, the result would have been the same. We have shown that it is not possible to appropriate by a tax, that portion of the rent of land that consists of a return for the capital expended upon it. And yet there can be no reasonable doubt that in all old settled and highly improved countries this portion of the gross rent greatly exceeds that which is paid for the use of the inherent powers of the soil. That such is the case will be at once admitted by those who reflect for a moment on the many hundreds or thousands of millions, which have been expended in fencing, draining, planting, manuring, and otherwise impoving the land of Great Britain, and in the erection of farm buildings, the construction of roads, &c. It is a vulgar error to suppose that the income of the landed gentry depends wholly on the circumstance of their being mere owners of estates. In all populous and advanced countries it depends in a far greater degree on the outlays upon their estates; that is, on their being capitalists as well as landowners; and letting means and instruments for the profitable cultivation of the land, along with the land itself. The real or ground rent of a highly improved farm, especially if it be of naturally inferior land, does not, perhaps, bear a greater proportion to its total rent than the ground rent of a cotton-factory bears to the total sum for which it would let.

Surprise has sometimes been expressed that the writings of the Economists, many of whom were men of talent and animated by a sincere spirit of patriotism, should have had little

or no practical influence. This, however, is not to be wondered at. The depressed state of agriculture in France, and the poverty of the occupiers, were mainly occasioned by the unequal and arbitrary methods followed in the assessment and collection of the taille and other taxes imposed on land. Had the Economists denounced these abuses, and shown how extremely injurious they were to the nobility, who were the principal owners of estates, as well as to the peasantry, their writings would most probably have had a beneficial effect, and might have paved the way for the adoption of the reforms proposed by Turgot. But though they did not entirely overlook the grievances referred to, they appear to have thought them little worthy of attention. The equalization of the taxes that then fell upon the land was in their estimation an inferior matter. Their grand object was to procure the abolition of the excise and customs duties, and having added them to the taille, to distribute the whole burthen equally over the land. A proposal of this sort was little likely to conciliate either the landlords or tenants, neither of whom could appreciate the metaphysical reasonings by which it was recommended. It in truth outraged the common sense of the public. And the discredit which justly attached to their grand panacea hindered those parts of their writings that were bottomed on sound principles and in which some really advantageous measures were proposed, from having any influence. Had Quesnay possessed the agricultural knowledge and practical sagacity of Arthur Young he would have rendered invaluable services to his country; but having neither the one nor the other, his well-meant efforts, and those of his followers, were in great measure useless.

The former celebrity of the doctrines of the Economists, and the references which are still frequently made to them, will perhaps be deemed a sufficient apology for these remarks. They were hardly, indeed, necessary to enable any one who may have paid any attention to the previous statements to detect the fallacy of the principles on which the Economists

constructed their system, and the contradictory nature of their conclusions. Still, however, the observations now made may have their use, if, as we hope, they should tend still better to illustrate the inexpediency of taxes on rent.

But notwithstanding the many inconveniences that attach to such taxes, they are necessarily, in countries in a low state of civilization, and where manufactures and commerce have made little progress, nearly the only sources of revenue. In most Eastern countries the government is, as it were, head landlord; the tax paid by the occupiers being in general equivalent to a pretty high rent. In Europe, the proprietors have been able to oppose a more effectual resistance to the encroachments of their rulers; and even in those parts in which the land-tax is heaviest, it seldom amounts to more than a reasonable per-centage on the rent. During the feudal system the obligation of military service, with the different payments to the sovereign, under the heads of aids, reliefs, fines on alienation, purveyance, wardship, primer-seisin, scutages, hydages, escheats, and so forth, due by the proprietors of estates held directly of the crown (who in their turn exacted similar payments from their sub-tenants), fell wholly on the land, and were, in effect, so many land-taxes. These revenues, added to the rental of the crown estates, were, for a considerable period, adequate to defray the expenses of government. But after the advantage of maintaining a regular military force began to be appreciated, money payments began also to be substituted for knights' service; and, when once introduced, they were gradually extended, and in course of time were made to affect personal as well as real property. During the Commonwealth several of the incidents belonging to the feudal system were dispensed with; the money required for the service of the state being principally raised by subsidies, or assessments of so much a month on real and personal property and partly by excise-duties (imposed, for the first time, by the Long Parliament), and other subordinate sources. The right of the crown to the various items of feudal revenue was

revived at the Restoration; but their oppressive operation, and the advantages that had resulted from their partial suspension, were so sensibly felt, that measures were immediately taken for their total abolition. This was effected by statute 12 Chas. II. cap. 24, which suppressed the court of wards and liveries, with wardship, aids, fines on alienation, and other feudal incidents, converting all tenures held of the king into free and common soccage. Blackstone says that this act was a greater acquisition to the property of the kingdom than even Magna Charta itself; inasmuch as the latter only pruned the luxuriances which had grown out of military tenures, whereas this act extirpated them root and branch.*

But, however advantageous to the nation, it is at the same time obvious that the statute of Charles II. was more especially advantageous to the landlords. The taxes and grievances which it abolished directly fell on them only. And, therefore, as the crown could not afford to lose the feudal revenues, compensation should have been made for their loss, and for the loss of the services abolished by the statute, by a corresponding land-tax. An arrangement of this sort, which was proposed during the reign of James I., would have been highly advantageous to the landlords, by substituting a fixed and equal for a fluctuating and unequal burden; and while it benefited them, it would not have been injurious to any one else. But instead of being commuted in the way now stated, it was decided, at the passing of the above-mentioned act, that the deficiency in the hereditary revenue, caused by the abolition of wardships and other feudal incidents, should be made good by imposing, and assigning to the crown in perpetuity, certain excise-duties on beer, ale, and other liquors, and on licences. So that what had previously been a burden affecting the landlords only, was thus dexterously transferred from their shoulders to those of the community in general.†

We are not, however, to understand from this that all direct

* "Commentaries," book ii. cap. 5.

† St. John on the "Land Revenue," p. 138; Blackstone, *ubi supra*.

taxes on land, for public purposes, ceased with the Act 12 Chas. II. cap. 24. It relieved the land from the burdens that grew out of feudal tenures; but the assessments granted for the public service, during the reign of Charles II., were, to all intents and purposes, land-taxes. These continued to be levied down to the æra of the Revolution, and subsequently. In 1692 a land-tax, at the rate of 4*s.* in the pound of the rental of estates, manors, and other real property, was granted to the crown. The valuation, according to which this tax was assessed, was extremely vague and unequal. It was, indeed, in great measure left to the different proprietors to assess themselves, and those in the counties most warmly attached to the revolutionary establishment returned their estates much nearer to their fair value than the others. But such as it was, a tax at the rate of 1*s.* in the pound on this valuation was found to produce nearly 500,000*l.* a year. Though continued by annual acts, no change has ever been made in the valuation on which the tax was originally assessed. For a while its amount varied from 2*s.* to 3*s.* and 4*s.* in the pound*; but without ever exceeding the latter sum. At length it came to be considered as a fixed or invariable tax of 4*s.* per pound on the valuation of 1693; and in 1798 the Act 38 Geo. III. cap. 60. made it perpetual at that rate, giving, at the same time, power to the landlords, of which many have availed themselves, to redeem it on certain conditions.† The different degrees of improvement that have taken place since 1693 in different parts of the country have, in some instances, tended to correct the inequalities in the original assessment of the land-tax, and in others to increase them.

It is admitted on all hands that the tax, of which the history is thus briefly sketched, has been but little burdensome, and has in nowise obstructed improvements. But this

* It was as low as 1*s.* per pound in 1731 and 1732.

† In 1844 the land-tax redeemed amounted to 737,285*l.* a year, and the unredeemed to 1,069,904*l.* a year; and the proportions have varied very little in the interval.

circumstance is not, as has been supposed, inconsistent with the remarks previously made regarding the influence of taxes on rent. The latter necessarily vary with the varying amount of rent; and have, consequently, exclusive of their partiality, the incurable defect of obstructing the outlay of capital on the land, and preventing its improvement. Such, however, has not been the case with the existing land-tax. As previously noticed, it was originally assessed, in most instances, on a very low valuation; a limit was, at the same time, specified, beyond which it has never been carried; and for a lengthened period its amount has been fixed and constant. And in addition to these favourable circumstances, the country, during the period that has elapsed since its imposition, has been uniformly prosperous, and there has been an extraordinary rise of rent. Had the state of the country since 1693 been different, had rents, instead of rising, been either stationary or declining, the burden of the tax would have been comparatively heavy. But as circumstances have turned out, it has not, except in so far as it may have diminished the means of the proprietors, had the smallest influence in discouraging improvements. Neither has it interfered in any way with the cultivation of estates. It is never, indeed, taken into account, or so much as referred to, in estimating the probable influence of new modes of management or of the outlay of additional capital on the soil; and is, in fact, to be regarded as a stationary quitrent payable to the state, without being either directly or indirectly injurious to individuals. It may be regretted, perhaps, that it was not more equally distributed, and its limits somewhat extended at the Revolution. But it cannot now be interfered with. It has been placed on its present footing for more than a century and a half; so that, whether it were at its establishment unwisely limited or unfairly assessed, have long ceased to be questions of any practical importance. New rights, new interests, and new generations have grown up under the existing system; the lapse of time having completely obviated or sanctioned any defects in its original constitution. The landlords have long stood, in respect of taxation, on the same

footing as the rest of the community; and can with justice be subjected to such taxes only as are laid on merchants, manufacturers, and other capitalists. It is obvious, therefore, that all projects for laying peculiar burdens on the land, however varnished or disguised, can no longer be looked upon as projects for the imposition of equitable taxes, but for the confiscation of a portion of the property of the landlords! If such flagitious schemes be ever entertained, they will form a precedent that may be urged to justify the repudiation of the public debt and the subversion of every right.

The act imposing the land-tax, 4 Will. & Mary, cap. 1., also imposed a duty of 4*s.* per pound on pensions and offices, and of 24*s.* per 100*l.* on personal property. It would, however, appear, that, in no long time, the commissioners to whom the levy of the tax was entrusted, all but wholly abandoned the assessment on personal property, most probably from the difficulty of learning its amount, and contented themselves with assessing the tax on what was fixed and tangible. In illustration of this, it may be mentioned that while the perpetual assessment charged by the act of 1798 on lands and tenements in Essex, one of the most heavily burdened counties, was fixed at 88,638*l.* 10*s.* 2¾*d.*, the assessment on personal estate amounted to no more than 1*l.* This portion of the tax was, indeed, wholly abandoned in 1833, having been repealed by the Act 3 Will. IV. cap 12. The sum assessed on offices and pensions is but inconsiderable.*

When, however, it becomes necessary, notwithstanding their sinister influence, to impose taxes on land, whether for public or local purposes, their proper assessment becomes an important as well as a difficult problem. It is said that, were it practicable, the preferable plan would be to make a valuation of the lands corresponding as nearly as possible to what

* See the evidence of John Wood and William Garnett, Esquires, in the "Second Report of the Commons Committee on the State of Agriculture" in 1836, pp. 255—270.

may be deemed their value without improvements, and to make this valuation the basis of all future assessments, the variations in the latter being confined to variations in the rate only. A tax constructed on a basis of this sort would be so far advantageous that it would have comparatively little influence in checking improvements. But it would be exceedingly difficult to assess it fairly in the first instance; and supposing that to be done, it would speedily become unequal, as well from the greater skill and capital engaged in farming in some districts, as from the more rapid increase in their value from their being more advantageously situated and other circumstances. And such being the case, it would neither be practicable nor desirable to maintain the tax on the same basis for any very lengthened period.

In England the tax on the land, for poor's rate and other local burdens, is now assessed under the Act 25 & 26 Vict. cap. 103, which directs that it shall be levied on the nett rent of the land, or the rent for which it would let from year to year, free of all rates and taxes usually falling on the tenant, and of the tithe commutation charge.* And here, where landlords and tenants are alike intelligent, this perhaps is as good a plan for assessing the tax as could be devised. Yet even among us the influence of the rates for the poor and other local burdens, in discouraging improvements, has been strongly animadverted upon by all agricultural writers, from Arthur Young downwards, and has been a principal cause of their slower progress in England since 1770 than in Scotland. And such being the operation of variable land-taxes in a country like this, we need not be surprised to learn that where

* To get at the nett rateable value of the lands, houses, &c., subject to poor rates, such deductions are made from the gross rental on account of the repairs, insurances, &c., as may be required to keep the property in a state such that it would continue to fetch the estimated gross rental. These deductions must necessarily be as various as the varying condition of the different properties subject to the rates. Probably, however, they may amount, at an average, to from 1 to 2 per cent. on grass lands, from 5 to 10 per cent. on farms with dwelling houses and offices, and from 10 to 25 per cent. on houses.

there is a low state of civilization, or where the occupiers of the land are comparatively poor and degraded, they are peculiarly noxious.

The injurious operation of oppressive, and especially of variable, land-taxes has been strikingly exemplified in the East. The land-tax has always constituted the principal part of the revenue of Hindostan, and of most other Eastern countries. The British government, like the governments by which it was preceded, may be regarded as the real proprietor of the greater part of the vast dominions subject to its authority in India; its rights as such being, however, in so far modified that the cultivators have an hereditary and transferable right of occupancy so long as they pay the share of the produce demanded by Government. The value of this right to the rural population varies in different districts, according to the nature of the country and the resistance they have been able to make to the exactions of their rulers. But in most parts the tax on land is not only variable, but extravagantly high, and has been a principal cause of the poverty in which the people continue to be involved.

Lord Cornwallis, when Governor-General of India, was struck by the defects of this system, which he endeavoured to obviate by making the land of Bengal private property. Although, however, the principle of the measure which he introduced was unexceptionable, the perpetual payment or quit rent which he imposed on the land was a great deal too heavy, and the interests of the ryots or cultivators were sacrificed in an attempt to introduce a body of large proprietors. But despite these drawbacks, the plan has been most advantageous to the important province in which it was adopted.

Since this epoch attempts have been made in different parts of India to improve the methods of letting land to the cultivators, without, however, relinquishing its freehold. Some of these have succeeded better than others; but while the rents or assessments are very generally too high, they all

labour under the incurable defects of requiring too much *surveillance* on the part of the agents of government, and of deterring the cultivators from making improvements lest they should eventually lead to an increase of rent. And hence there is little or no prospect of any real improvement being effected in India without an entire change in the present system of holding land. The difficulty is to reconcile an improved policy with the maintenance of a sufficient amount of revenue. Probably, on the whole, the best plan would be to assess a reasonable, but rather low, rent on the different holdings, and to declare that such rent should be henceforward fixed and invariable. The property of the land might then be sold in convenient portions, as opportunities offered, to such parties as might wish to buy it; or the fixed rent might continue to be a permanent burden to be paid by the occupiers in all time to come. The former plan was approved by the late Mountstuart Elphinstone, than whom none was better qualified to give an opinion on this point,* but other authorities appear to prefer the latter. The fixing of the assessment, and making it perpetual, is, however, the grand point. It will of itself do much more than anything else that appears practicable to promote the improvement of India, and the well-being of the population.†

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* "As regards Indian measures, he advocated in stronger and more decisive language than was customary with him the gradual liberation of all land from government rent tenure, and the conversion of all into fee-simple; as far as government was concerned, he thought all lands belonging to government, whether under cultivation or not, should be sold in fee. He thought that taxation by rent, though originally the only practical resource—a necessity adopted by us at first as the only prevailing method—was in principle wrong, and became inappropriate as the country advanced in prosperity,—that the system stagnated the sources of wealth and the working of capital. He conceived that a cautious but definite course should be pursued of abolishing the relation of landlord and tenants between the Indian government and its subjects, and that other sources of taxation should be gradually resorted to."—(Letter in "The Times," December 1859.)

† Some of the principal questions with regard to the taxation and disposal of land in India have been briefly but ably discussed in the Parl. Paper, No. 431, Sess. 1862. The reader will find some extracts from it in the Appendix to this work.

SECTION II.—TAXES ON THE RENT OF HOUSES.

With the exception of those in peculiarly fine or fashionable situations, the rent of houses consists principally of a return for the capital required to build them, or, as it is usually termed, of *building*-rent, a comparatively small part only being *ground*-rent, or rent payable for the land on which they are built. It is evident, therefore, from the principles already established, that, were the supply of houses easily diminished and increased, a tax on their rents would fall wholly on the occupiers and ground landlords, and be divided between them in the proportion which the profit of the capital required to build them bears to the rent of the ground on which they stand. But the supply of houses not being susceptible of speedy diminution, the builders have no means of immediately raising rents when they are charged with a tax; and, unless the demand for houses were rapidly increasing, a considerable period would elapse before they would be able to relieve themselves of the burden, which, in the meantime, would have to be defrayed out of their profits. Houses, however, though slowly, are yet certainly perishable. And as building would cease after they had been taxed, until the diminished supply, or the increased demand for houses, had raised their rents so as to indemnify the builders for the tax, it would, in the end, be thrown wholly on the occupiers and ground landlords in the proportions already mentioned.

Taxes on houses have been, for a lengthened period, ordinary sources of revenue in this country. They were introduced by the Act 7 Will. III. cap. 18; and where the assessment is proportioned to the rent, they may be safely classed among the very best taxes. Houses are occupied either wholly as residences, or they are used partly as such and partly for the purpose of carrying on some sort of business or profession. The former, or those used wholly as residences, may, speaking generally, be taken as a fair index of the incomes of their occupiers. For though rich people sometimes live in inferior houses, while those who are less opulent, but who wish to

make a display, sometimes live in superior houses; yet, as these divergences from the common rule are not very numerous, taxes laid on houses in proportion to the rent will, on the whole, be pretty nearly proportioned to the abilities of the parties by whom they are occupied. It may be alleged, perhaps, that it is not necessary that the same rate of duty should be imposed on all descriptions of houses, and that those of a superior class may be subjected to a proportionally higher rate. But graduated or cumulative taxes should always be avoided. Inasmuch, indeed, as those occupying one class of houses may resort to another in the event of their thinking the tax too high, there is, probably, less objection to increasing the rate of duty on houses in proportion to their value than on most other things. At all events there can be no solid objection to the tax, provided it be equally imposed. Government is certainly entitled to charge houses, like land or anything else, with the same rates of duty.

With respect to the other description of houses, or those used partly only as residences, and partly also as shops or places of business, there is more difficulty. In most cases a tax on shops, being an increased charge upon the shopkeepers, would in the end be thrown upon their customers or the public. But in those cases in which their rent should be regarded, from the peculiarity of their situation, as a species of monopoly rent, a tax on them would ultimately have to be borne, in great measure, by the ground-landlords. To get rid of these anomalies, and to obviate the outcry which the imposition of a shop-tax would be likely to occasion, shops and places of business distinct from dwelling houses, may be exempted from the tax, and when the two are combined they may be assessed (as is the practice here) at a lower rate. In either way the difficulty referred to may be easily obviated.

Those who are impressed with the force of these considerations, will probably be inclined to regard the abolition of the house-tax in 1835 as an ill-advised concession to vulgar clamour. This tax interferes with no branch of industry. The subjects on which it is laid are obvious, and can neither

be concealed nor made away with; nor is it at any time a difficult matter to determine their value with sufficient precision for its impartial assessment. In these respects a house-tax has many advantages over taxes on property or income. The inquisitorial proceedings indispensable in assessing the latter, and which are at the same time so ineffectual and so justly complained of, are in great measure unnecessary in the case of taxes on houses. These are easily assessed; and, except in the mere fact of payment, they involve little or nothing that should occasion irritation.

The existing house-tax, imposed in 1851, produced in 1861–62 a revenue of 845,748*l.* It affects only houses worth 20*l.* a year and upwards, which are subjected to a duty of $3\frac{3}{4}$ per cent. or 9*d.* per pound on their annual value, provided they be not farm-houses, or in part occupied as shops, for in such cases the duty is only $2\frac{1}{2}$ per cent. or 6*d.* per pound. But it is difficult to discern any good reason why any description of houses should be exempted. The occupiers of 10*l.* houses have been intrusted with the elective franchise, and it is but reasonable that those to whom so valuable a privilege has been given should contribute their fair proportion of the tax on that description of property which has been made the test of their ability to exercise the franchise. All classes contribute to the duties on tea, sugar, and other articles, and why should they not contribute to the duty on houses? Why should there be a preference in the one case rather than in the other? When a duty is imposed which affects only the higher class of houses, the occupiers of those that are inferior are benefited at the expense of the occupiers of those that are superior. But it is needless to say that all inequalities of this sort are in the last degree objectionable. A duty on houses should press equally on all houses. Supposing it were 10 per cent., or 10*l.* on a house worth 100*l.* a year, it should be 10*s.* on a house worth 5*l.*; and it is in every respect as unjust to tax the former and exempt the latter, as it would be to tax the latter and exempt the former. Government is not instituted to protect or favour this or that class, but to maintain the equal rights of all.

And this can only be done, in as far as taxation is concerned, by imposing the same rates of duty on houses and other things how much soever they may differ in value.

Though the existing duties were doubled, and made to embrace all descriptions of houses, they would impose a very small burden on the occupiers of inferior houses. Probably, however, it would be expedient, were the tax extended to houses under 4*l.* or 5*l.*, to make it payable by the proprietors. This condition would facilitate its collection, at the same time that it would obviate the alleged hardship of assessing it on labourers, and be advantageous by discouraging the building of cottages, except when they are really required.*

It appears from the official returns that in 1861 there were no fewer than 4,138,683 inhabited houses in Great Britain. Of these only 544,388, or about 2 in 15, paid duty. It is indeed abundantly certain that were the present duty charged on houses of 10*l.* and upwards, its produce would be more than doubled. And by charging the duty on all houses, or even on those only worth 5*l.* and upwards, with a small addition to the rates, it might he made to yield some 4,000,000*l.* or 5,000,000*l.* sterling.

But how desirable soever, there are formidable difficulties in the way of all attempts to impose a really fair and considerable house tax. People do not like to have to do with a tax which they cannot hope to evade, and which they must cancel by a direct money payment, and hence a tax that should extend to all houses, or even to those of 10*l.* and upwards, would be sure to be very strongly objected to. A memorable proof of this occurred in 1852. When the budget for that year was brought forward, it embodied a proposal for doubling the house-tax and extending it to all houses worth 10*l.* a year and upwards. And no tax could have been proposed more unobjectionable in principle or better suited to meet the exigencies of the period. These, however, were found

* This principle, has, in fact, been acted upon in the assessing of inferior tenements to the poor-rates both in England and Ireland.

to be but slender recommendations. Considerations of a less scientific, but of a more personal and exciting character, countervailed the project and hindered it from being adopted. The members for large towns, many of whose constituents would have been subjected to the tax, were in the van of the opposition, and were supported by all classes of objectors, including those who cared for nothing but the displacing of the Government. The budget which contained the proposal for extending the tax was rejected by a considerable majority; and it is not very likely that the project will be again revived, unless some future minister, with the power and good sense of Pitt or Peel, should undertake to carry it through Parliament.

A prejudice has been raised against the house-tax from a notion that it is unfairly charged, and in proof of this it is said that not a few middle-class inns and hotels pay a larger amount of house-duty than is paid by the most splendid baronial residences. But the unfairness in these cases is apparent rather than real, and grows out of the mode in which the tax is assessed. The rent which a house would bring, and not the sum which it has cost, is very properly taken as the ordinary basis of the assessment upon it. And everybody knows that the residences referred to would not let on any terms; and that none, except their owners, would occupy them, unless tempted by the offer of a considerable bonus. It may be right, however, that these costly edifices should be taxed; and that in assessing the duty on the more expensive class of villas and palatial residences, whether in town or country, regard should be had to their cost as well as to their market value. If rich or vain men choose to expend immense sums in building houses too large for other people to occupy, that appears to be a very good reason why they should, but none why they should not, pay taxes upon them. And so long as they are occupied by their owners, they would be fairly taxed, and the inequality complained of obviated, by making the estimated outlay upon them a principal element in determining the amount of duty with which they should be charged But, if they be let, they must be taxed proportionally to the rent, in the same way as other houses.

The window-tax, which was imposed at the same time, and by the same act as the original house-tax, was, in all respects more objectionable than the latter. The number of windows in a house affords no criterion of its value or of the probable means of those by whom it is occupied. "A house of 10*l.* rent in a country town may sometimes have more windows than a house of 500*l.* rent in London; and though the inhabitant of the former is likely to be a much poorer man than that of the latter, yet, so far as his contribution is regulated by the window-tax, he must contribute more to the support of the state." * Frequently, too, a tax on windows makes houses be built on improper principles, and with less light than may be desirable for health as well as convenience. A tax on houses is free from these inconveniences; it is proportioned to their value and most commonly also to the fortunes of their occupiers, and it interferes in no sort of way with the taste or plans of the builder. The window-tax was finally repealed in 1851, when, as already seen, the present house-tax was established in its stead.

We shall give some account of the French land-tax, or *contribution foncière*, at the end of next chapter.

The *contribution mobilière*, imposed in France in 1791, by the Constituent Assembly, was intended to subject movable property to a tax equivalent to the *contribution foncière*, which falls exclusively on land and other fixed property. It consisted principally of an assessment on the occupiers of houses in proportion to their rents; those parties whose revenues were derived wholly or in part from land, being either wholly or partially exempted from the tax. Assuming that the annual value or rent of the houses occupied by individuals affords, on the whole, the best test that can be found of their fortune or ability to bear taxes, the Assembly selected it as the principal evidence on which to assess the *contribution mobilière;* the grounds for doing so being ably set forth in a Report by a Committee of the Assembly,

* "Wealth of Nations," p. 382.

which preceded the introduction of the tax. This tax has since undergone various changes and modifications. In 1831, Government proposed that it should be established at the rate of 6 per cent. on all habitations; and had this proposal been carried into effect, it would have formed an important source of revenue, which, though no change had been made in the rate, would have increased with the increasing wealth of the country. The Chambers, however, modified the project in so far as to fix a principal for this tax and for the *contribution personnelle* (a direct tax on labour) of 34,000,000 fr., or nearly 1,400,000*l.* sterling, distributed among the departments in certain proportions; and this principal, with the *centimes additionnels*, produced, in 1837, 55,646,396 fr., and in 1859, 68,968,207 fr. In consequence of this arrangement the amount of the tax differs in different parts of the kingdom; and though it is to be newly distributed once in ten years, it can never be made a really equal burden.*

The fixing of the principal or basis of the assessment of the house-tax appears to be an error. A tax proportioned to the rent of land is objectionable from its obstructing the progress of agricultural improvement. But a tax proportioned to the rent of houses is not open to such objection. Suppose it were fixed at 10 or 12 per cent., its utmost effect would be to make parties who might have occupied houses worth 100*l.* a year, had there been no tax, occupy houses worth only 90*l.* or 88*l.* But the presumption is, that in very many cases the parties would endeavour, without resorting to inferior houses, to defray the tax by economizing in other things.

In addition to the tax on rent charged upon the occupiers, houses are assessed in France to the *contribution foncière*, and they are further charged with duties on doors and windows. House taxes are also imposed in the Netherlands, Austria, Prussia, and most other Continental States; and they are everywhere, we believe, reckoned among the least questionable modes in which a revenue can be raised.

* Macarel, "De la Fortune Publique," iii. pp. 230—353.

In Austria, the house-tax was placed on its present footing by a law passed in 1819. Its assessment in Vienna and other great towns differs from its assessment in the country and in the smaller towns. In the former it is proportioned to the rent; 15 per cent. being deducted for wear and tear, the residue is subjected to a tax of 18 per cent., the assessment being thus, in fact, about 15⅓ per cent. on the total rent.*

CHAPTER II.

TAXES ON PROFITS.

A TAX proportioned to the nett profits realized by those engaged in all departments of industry, would fall, were it fairly imposed, wholly on profits.

Such a tax would equally affect all capitalists. When 5 or 10 per cent. was laid on the profits of the farmer or manufacturer, a like sum would be laid on the profits of the merchant, ship-owner, and other employers of capital and labour. And as none could hope to evade an universal burden of this sort by changing their business, it would not occasion any transfer of capital from one employment to another. Neither would it occasion any variation in the supply and demand of commodities, or in their money price. For a tax that falls on profits and not on capital would not impair the means of production. It would, no doubt, diminish incomes derived from profits; but as it would proportionally augment the sums at the disposal of government and its dependents, the aggregate demand of the society would continue nearly the same. And hence, as the tax would not lessen the capital of the producers, nor the ability to purchase their products, it would not sensibly affect prices.

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* Supposing a house in Vienna to let at 100*l.* a year, it would pay 15*l.* 6*s.* of house-tax, 18 per cent. on 85*l.* (100*l.*—15*l.*) being 15*l.* 6*s.* (Tegoborski, "Finances de l'Autriche," i. 176.)

An equal tax on profits would, therefore, in the first instance, reduce them in the same proportion. And as the power to accumulate capital, and consequently to feed and employ additional hands, is generally proportioned to the rate of profit, it follows that the tendency of taxes on profits, and their ultimate effect, if they be not balanced by increased exertion and economy, is to check the growth of capital and population.

But these conclusions, it must be borne in mind, are true only on the supposition that the tax is made to affect *all* profits to the same extent; and practically this is impossible. There are no means by which to measure the rate of profit in different businesses. Generally, indeed, it can only be guessed at even by those who carry them on; and were an attempt made to tax profits, most individuals would underrate their amount, and, in the far greater number of businesses, it would be quite impossible to form any accurate estimate of their magnitude. Hence it would be necessary to adopt some general rules for assessing the tax; and the vice of these is, that, being bottomed on assumed average rates, they invariably, even when most accurate, make those engaged in successful and unsuccessful speculations pay, the former too little, and the latter too much. Profits cannot, in truth, be ascertained; and consequently never have been and never can be taxed in proportion to their amount. And though it be important to know how a tax on profits would operate were it equally imposed, it must be remembered that this is impracticable, and that the supposition is made merely to illustrate a principle.

A tax laid on the profits of a particular business, without applying to others, would have a different effect. It might, or it might not, raise prices; but Adam Smith is correct in saying that it would not continue to fall on those engaged in the business. Suppose that a tax of 10 per cent. is laid on the profits of the shoemaker, and on no other tradesman; the slightest consideration will show that this tax must in the end, either occasion a reduction of the cost, or an increase of the price of shoes, or both. On its being imposed,

the shoemakers will make less profit than the untaxed parties engaged in other businesses; and to replace themselves on their old level they will try to defeat the tax, by exerting greater skill and industry, but should they not succeed, or succeed only partially, they will gradually contract or leave their employment, until, through the diminution in the supply of shoes, their price is raised so as to yield the current rate of profit, in addition to the tax. For the same reason, if a tax laid only on the profits of the hatter, or clothier, or farmer, be not partially or wholly countervailed by an increased facility of production or saving of expense, it will eventually make a corresponding addition to the price of hats, cloth, or agricultural produce. In these cases the producers can, by raising prices, throw the burden of the tax on the consumers; because they can withdraw from the businesses in which profits are taxed, and engage in those in which they are not taxed. When, however, profits are universally taxed, they are deprived of this resource; and have no means by which to raise prices, or evade the tax.

Hence, when a tax is laid on those engaged in one or in a few businesses, it has, as it were, a twofold effect. It stimulates those engaged in the taxed businesses to endeavour, by greater ingenuity, industry, and economy, to meet its pressure without raising the prices of the products, or services, they have been accustomed to bring to market. These efforts are almost always partially, and not unfrequently they are wholly, or more than wholly, successful; but sometimes they fail to effect their object. And when such is the case the taxed parties begin gradually to withdraw from the businesses in which they are engaged to embark in others which are not taxed, and where profits are higher. But this withdrawal is frequently effected at a considerable sacrifice. The machines, instruments, and work-people that may be fitted for a peculiar business or department of industry may be wholly unsuitable or ill-fitted for others. And hence, though it be true that taxes on peculiar businesses, being in the end identified with the prices of their services or products, fall on the consumers

this may not always be effected without loss to those on whom they are directly imposed. Indeed, there are but few instances in which, for a while, at least, such taxes do not lay the latter under very serious difficulties; while, in others, their influence is, in this respect, of an abiding character. It will be afterwards seen that the malt-tax is, for the reasons now glanced at, especially prejudicial to the agriculturists.

The working of such taxes as are likely to occasion a transfer of capital from one department to another is apt to be greatly influenced by the state of the country at the time. In prosperous or advancing countries where most businesses are being rapidly extended, capital and work-people may commonly be carried from one branch to another with little loss or inconvenience. But in stationary, and still more in declining countries, this transfer may not be practicable, and is always attended with loss and difficulty.

It is easy to see, from these principles and considerations, that a tax laid equally on the profits of agriculture and other businesses would not occasion any diminution of rent. When farmers are taxed to the same extent as other producers, they have no motive to withdraw capital from the land; and hence, as neither the extent of land under tillage, nor the price of corn, is in such case affected by the tax, it is clear it can have no influence upon rent. Mr. Ricardo, however, contends that if the tax, instead of being general and equal, were laid only on the profits of the farmer, it would occasion an increase of rent. Rent, he argues, does not, as has been seen in the preceding chapter, enter into the cost of that portion of the required supply of farm produce which is raised by the agency of the capital last laid out on the land. Its raisers could not, consequently, indemnify themselves for any burdens laid on them by making an equivalent deduction from rent. And, therefore, when a tax is laid exclusively on the profits of agricultural capital, the price of raw produce, if the influence of the tax be not wholly or in part neutralized by an increase of industry and economy, sustains in the end a

was originally founded on a not unfair principle. The taille was imposed to enable the sovereign to substitute a standing army for the feudal militia, which had previously constituted the only force of the kingdom. And as the occupiers of the land, or peasantry, were thus relieved, at least to a certain extent, from the troublesome obligation of personal service, it seemed but reasonable that the taille or tax, imposed to maintain the troops, should be paid by them; and that the nobility and gentry, who still continued liable to personal service, should be exempted from the tax. But, though unobjectionable in its origin, this difference in the nature of the burdens laid on different classes, opened a door for the greatest abuses. The growing expenses of the state were partly and principally provided for by increasing the taille. And, as Turgot has shown, the exemption of the nobles from the tax for the maintenance of the standing army gradually extended itself to most part of the taxes imposed for other objects; till, in the end, the revolting spectacle was exhibited of the wealthiest and most exalted class being relieved from the burdens imposed for the support of the state, which produced the largest amount of income, and pressed with the greatest severity on the other and less opulent classes.* A privilege of this sort could hardly have been tolerated, even had it been enjoyed only by the old nobility, to whom the people had been accustomed to look up with respect. But after patents of nobility began to be openly sold, and any tailor or cheesemonger who chose to pay the stipulated price might get himself enrolled in the privileged class, the abuse shocked every unprejudiced individual, and became quite insupportable. It is, indeed, true that the exemption in question was far from being of any real value to those in whose favour it was established; for it is contradictory and absurd to suppose that any system injurious to the occupiers of estates can be advantageous to their owners. Few, however, seem to have been aware of this; while those subject to the taille were not

* "Œuvres de M. Turgot," viii. p. 230.

merely borne down by its pressure, but were disgusted with its injustice and the partiality of government. And supposing they had been fully aware of the worthlessness of the privilege conferred on the upper classes, they would most probably have been rendered only the more indignant, inasmuch as they would have felt that the public prosperity was sacrificed in a vain and unavailing effort to exempt the richest individuals from contributing to the public necessities. It may, perhaps, be thought not a little surprising that the nobility did not voluntarily relinquish so odious and so useless a privilege. One would suppose that no very lengthened experience would have been required to satisfy them that their interests were identified with those of their tenants; and that, whatever crippled the means, and paralysed the industry of the latter, was most injurious to themselves.

Hume, who was intimately acquainted with the state of France, refers as follows to the influence of the taxes on the land: "The greatest abuses which arise in France, the most perfect model of pure monarchy, proceed not from the number or weight of the taxes, beyond what are to be met with in free countries; but from the expensive, unequal, arbitrary, and intricate method of levying them, by which the industry of the poor, especially of the peasants and farmers, is, in great measure, discouraged, and agriculture rendered a beggarly and slavish employment. But to whose advantage do these abuses tend? If to that of the nobility, they might be esteemed inherent in that form of government, since the nobility are the true supports of monarchy; and 'tis natural their interests should be more consulted, in such a constitution, than that of the people. But the nobility are, in reality, the principal losers by this oppresion; since it ruins their estates, and beggars their tenants. The only gainers by it are the *Financiers*, a race of men rather odious to the nobility and the whole kingdom." —(Essay of Civil Liberty).

The amount and pressure of the taille differed in different provinces, and also in different parts of the same province. But, owing partly to its vicious nature, and partly to the

impossibility of assessing it with anything like fairness, it was, even where lightest, an all but intolerable grievance. The abuses in its collection were of the most flagrant description. "The proportion," says Adam Smith, "in which the taille is assessed in the different provinces varies from year to year, according to the reports which are made to the King's council concerning the goodness or badness of the crops, as well as other circumstances which may either increase or diminish their respective abilities to pay. Each generality is divided into a certain number of elections; and the proportion in which the sum imposed upon the whole generality is divided among those different elections varies likewise from year to year, according to the reports made to the council concerning their respective abilities. It seems impossible that the council, with the best intentions, can ever proportion, with tolerable exactness, either of these two assessments to the real abilities of the province or district upon which they are respectively laid. Ignorance and misinformation must always more or less mislead the most upright council. The proportion which each parish ought to support of what is assessed upon the whole election and that which each individual ought to support of what is assessed upon his particular parish, are both in the same manner varied from year to year, according as circumstances are supposed to require. These circumstances are judged of in the one case by the officers of the election, in the other by those of the parish; and both the one and the other are, more or less, under the direction and influence of the intendant. Not only ignorance and misinformation, but friendship, party animosity, and private resentment, are said frequently to mislead such assessors. No man subject to such a tax, it is evident, can ever be certain, before he is assessed, of what he is to pay. He cannot even be certain after he is assessed. If any person has been taxed who ought to have been exempted, or if any person has been taxed beyond his proportion, though both must pay in the meantime, yet, if they complain, and make good their complaints, the whole parish is reimposed next year in order to reimburse them. If any of the con-

tributors become bankrupt or insolvent, the collector is obliged to advance his tax, and the whole parish is reimposed next year, in order to reimburse the collector. If the collector himself should become bankrupt, the parish which elects him must answer for his conduct to the receiver-general of the election. But as it might be troublesome for the receiver to prosecute the whole parish, he takes as his choice five or six of the richest contributors, and obliges them to make good what had been lost by the insolvency of the collector. The parish is afterwards reimposed, in order to reimburse those five or six. Such reimpositions are always over and above the taille of the particular year in which they are laid on." *

Some of the many mischievous consequences inseparable from such a tax have been already noticed, while others are too obvious to require being pointed out. But it may be necessary to a right understanding of the operation of the taille, and of all similar taxes, further to observe that the assessments were usually made, not so much with reference to the rent paid by the occupiers, or the amount of their produce, as with reference to the presumed value of their stock and other property; so that they were tempted, even when they had the means of getting better, to employ inferior animals and implements, and counterfeit poverty! Hence, though the tax had been freed from its extreme inequality and uncertainty, it would still have been in a high degree hostile to agriculture.

"The taille," says Arthur Young, "being professedly levied according to every one's substance, has the mischievous effect of all land-taxes, even when levied honestly and fairly; for a farmer being taxed in proportion to his profit—his success, his merit—what surer method can be taken for annihilating the one and the other? The farmers are really poor, or apparently poor, since a rich man will affect poverty to escape the rise of the tax, which professes to be in proportion to his power of bearing it; hence poor cattle, poor implements, and poor

* "Wealth of Nations," p. 385.

dunghills, even on the farms of men who could afford the best. What a ruinous and detestable system, and how surely calculated to stop the current of public wealth!"*

The greatest statesmen of whom France has to boast have participated in the opinions thus forcibly expressed; though, owing to the false pride and prejudices of the nobles, and the vicious constitution of the government, the taille could neither be suppressed nor thoroughly reformed otherwise than by a revolution. "*M. de Sully regardait avec raison cet impôt comme violent et vicieux dans sa nature, principalement où il était personnelle. Une expérience constante lui avoit prouvé qu'il nuit à la perception de tous les autres subsides, et que les campagnes avaient toujours déperi à mesure que les tailles s'étaient accrues. En effet, dès qu'il y entre de l'arbitraire, le laboureur est privé de l'espérance d'une propriété, il se décourage; loin d'augmenter sa culture, il la néglige pour peu que le fardeau s'appesantisse.*"† And such also was the opinion of Colbert, Vauban, Turgot, and, in fact, of all the most eminent authorities on such subjects.

Though it had been limited to some definite proportion, as a tenth or a fifth part of the rent, the taille must, by hindering the outlay of capital on the land, have been exceedingly inimical to the public interests. Owing, however, to the growing necessities and profusion of the government, it was constantly on the increase, and continued progressively to absorb a larger share of the produce of the soil. To prevent the cultivators charged with this ever-increasing burden from relinquishing their farms, those who left one part of the country for another were obliged to pay for a certain period the taille due on the lands they had left; those who left the country to establish themselves in towns being also subjected, but for a much longer period, to the same burden.‡ But this nefarious attempt to chain, as it were, the cultivators to a single spot, and to pre-

* "Travels in France," vol. i. p. 405.

† Forbonnais, "Recherches sur les Finances," i. p. 107.

‡ Encyclopédie, xv. 843.

vent them from removing to some less over-taxed district, very generally failed of its object. The inability to pay the tax nullified the law; and, in the central and poorer provinces, or country of the *petite culture*, where it was most oppressive, large tracts of inferior land were not unfrequently abandoned by the occupiers.

Even had the mode of its assessment been less arbitrary and less opposed to sound principle, the distinctive character of the tax would have rendered it in no ordinary degree injurious. As it affected those only who rented lands, or owned lands held by a base tenure, its payment was considered as involving some degree of degradation, and as being a mark and a consequence of the ignoble or rather servile condition of those on whom it fell. The few who made anything by farming were thus rendered anxious to withdraw from a business which was so discredited; while rich merchants and capitalists were prevented from buying and improving estates. Not only, therefore, did the taille hinder a large part of the capital generated on the land from being laid out upon it, but it turned from it all the capital that had been accumulated in other employments. And if we add to this its direct influence in discouraging industry, it may well be doubted whether any means could have been devised better fitted to retain agriculture in a rude and infant state, to depress rents, and to extinguish emulation and industry amongst the farmers. Considering the lengthened period during which France was subject to this tax, and the additions that were constantly being made to it, we need not wonder that her agriculture was in an extremely backward state at the Revolution, but that it was so far advanced as it really was.

The present French land-tax, or *contribution foncière*, affects all lands, however occupied. It consists of a certain proportion of the nett produce of the land,—that is, of its produce exclusive of the expenses of cultivation, but inclusive of rent. It was imposed by the Constituent Assembly in 1791, and was intended to supply the place of the *taille, vingtièmes*, and

other taxes on land that were then abolished. Its total amount was originally fixed at 241,000,000 fr., or 9,640,000*l.* sterling; and a committee was appointed to apportion it among the different departments. The amount of the various taxes to be replaced by the land-tax, that the provinces had previously been in the habit of paying, formed the only ground on which this committee was able to proceed in its distribution; so that the wide differences which, owing to the privileges and franchises enjoyed by certain provinces, existed in the pressure of taxation under the old system, were necessarily perpetuated in the new system. And hence the proportion which the tax bore to the nett produce of the soil was found to be *twice* as great in some departments as in others.

This inequality necessarily gave rise to much dissatisfaction, to appease which large abatements were made in 1797, 1798, 1799, and other years, from the amounts originally assessed on the overburdened departments; the loss of revenue that was thus occasioned being made up by imposing *centimes additionnels;* that is, by making additions to the tax proportioned to its *principal,* or to the original assessment in the instances in which it remained unaltered, and to the new assessment in the instances in which abatements had been granted. With the view, also, of getting the tax more equally assessed, government ordered a *cadastre,* or survey, to be made of the whole kingdom, exhibiting the extent and value of every separate property, and even of every field. This immense undertaking was zealously prosecuted for many years; but after about 30,000,000 fr. had been expended in carrying it on, it was found that it would still require a lengthened period and a great additional outlay for its completion; and it began also to be doubted whether it would be good policy further to disturb the distribution of the tax among the different departments, seeing that, how unequal soever at first, the burden had become accommodated to and mixed up with the value of property in each. In conformity with these sentiments it was enacted, in 1821, that a further deduction of 19,619,229 fr. should be made from the principal of the tax

paid by the more heavily taxed departments; that no changes should be made in future in its distribution among the different departments; and that the *cadastre* should thenceforth be employed only in apportioning with greater correctness the quota payable by each department over its surface.

The *contribution foncière* affects houses, mills, and all sorts of fixed property, as well as land. The only material additions made to its principal since 1821 consist of the tax imposed on new buildings, on forest land brought into cultivation, land gained by embanking, &c.

It appears from the official returns that, in 1837, the principal of the tax amounted to 155,200,083 fr., of which 123,005,340 fr. were assessed upon land, and 32,194,743 fr. upon houses and buildings. Including the additional *centimes*, its total produce that year amounted to 263,239,065 fr.; and as it was assessed on 49,621,769 hectares* (equivalent to 122,622,487 acres) of land, and 6,775,236 houses, &c., it follows that, at an average, each hectare paid 4 fr. 20 c. (equivalent to 1 fr. 70 c. per acre), and each house, or other building, 8 fr. 5 c. Its produce amounted in 1859 to 279,492,488 fr.†

It is obvious that France has gained immensely by the substitution of this tax for the taille and other burdens which affected landed property previously to the Revolution. Its produce differs but little from that of the old taxes, and, while it is collected at half the expense, it has the inestimable advantage of pressing equally on all descriptions of proprietors and cultivators. Hence the jealousies and animosities that formerly subsisted between the privileged classes and the mass of the people have wholly disappeared.

It further appears from the above statements that the *contribution foncière* is now assessed, in part at least, in the way

* Exclusive of 2,905,008 hectares, which include forests belonging to the state, roads, rivers, lakes, burying grounds, &c., exempted from the tax.

† For further information as to the *contribution foncière*, see Macarel, "De la Fortune Publique," iii. pp. 1—228. Block, "Statistique de la France," i. 368, &c.

in which we have previously seen that a variable land-tax is least objectionable. The principal of the tax is fixed; the variations in its amount being made by adding to or deducting from it so many *centimes*. Unluckily, however, this principle is not carried out to its full extent; for, though the sum to be paid by each department be fixed, the assessment of this sum within its limits is left to the discretion of the local authorities. In consequence the principal sum assessed on estates is liable to perpetual variations, at the same time that they may all be subjected to an indefinite amount of additional *centimes*. But, apart from the latter circumstance, it would obviously be of much importance were the principal of the tax payable by each department distributed at once and for ever among the various properties within its boundaries. This would get rid of the greater portion of the uncertainty growing out of the tax. Its basis would then be fixed; and the subsequent variations would only affect the rate of assessment.

Undoubtedly, however, it were far better were all uncertainty, either as to the rate or the basis of the assessment, put an end to by following the precedent of the English land tax, that is, by definitively assessing the sums to be paid by every different property, and declaring that such sums shall be invariable and payable in all time to come. It is abundantly certain that a measure of this description, even though 25,000,000 fr. were added to the amount of the tax, would be a very considerable boon. However heavy in the meantime, a limited land-tax would have comparatively little influence in preventing or retarding improvements; and, were it adopted, the fair presumption is that agriculture, which in France is of more importance than all other employments put together, would be prosecuted, in time to come, with much greater vigour than hitherto.

It has been argued, in opposition to this proposal, that it would be wrong to exclude government from participating in the advantages arising from the future progress of agriculture; and that, were the amount of the tax once fixed, it would be proportionally diminished by any fall that might afterwards

take place in the value of money. These objections do not, however, appear to be entitled to much weight, and it may be sufficient, perhaps, in answering them, to refer to England and Bengal, and to the advantages that have resulted from the limitation of the land-tax in the one and the establishment of the perpetual settlement in the other. But we may shortly observe that it is nugatory to suppose that government should not gain largely, under the proposed limitation, from the improvement of agriculture. That would not fail to improve the condition of the great bulk of the people, who would consequently pay a comparatively large amount of indirect taxes. At this moment (1862) the total ordinary revenue of France amounts to about 1,650 or 1,700 millions francs, of which not more than 270 or 280 millions are raised by the land-tax. If, therefore, its limitation should give, as it certainly would, a stimulus to agriculture, on which three-fourths of the population are dependent, there can be little doubt that the revenue would gain instead of losing by the measure. For the improved condition of the cultivators, resulting from their greater security would enable them to contribute more to those indirect taxes which are the principal sources of revenue, and of which they pay by far the largest part. It is idle, indeed, to imagine that the condition of the agriculturists of any country, and especially of one in which this class so greatly preponderates as in France, should be considerably improved without an increase of the revenue derived from duties on commodities. The more people have to spend, the more, under ordinary circumstances, they do spend. The fixedness of the land-tax would make improvements be undertaken that will not otherwise be thought of, while, by means of indirect taxes, government would participate in their advantages.

The same reasoning applies to the supposition of a fall in the value of money after the land-tax had been limited. Such fall would, in so far, improve the condition of the occupiers of land, and their increased consumption of other things might afford the same, or perhaps a greater amount of revenue to government.

There can hardly, therefore, be any reasonable doubt of the many advantages that would accrue from fixing the amount of the *contribution foncière* to be charged in future on all properties. When thus fixed, it would cease to be an obstacle to improvements, and the agriculturists would have that full security of which they are at present to some extent deprived. And, provided means were at the same time devised for putting a stop to the endless division and subdivision of the land, occasioned by the present law of succession,* the prosperity of agriculture would be ensured.

A large proportion of the produce of the land tax is absorbed in provincial expenses, or those incident to the administration of the departments and communes. Thus, of 268,270,250 fr., the total produce of the tax in 1842, no fewer than 78,507,990 fr. were retained to defray local expenditure.

We have entered into these details, partly because of the light which they appear to throw on the nature and operation of an important description of taxes, and partly because they are but little understood in this country. So little, indeed, do we know of the mode in which the public revenue is raised in France, that a notion seems to be generally entertained that it is principally derived from the land, and that a very large proportion of the territorial produce of the country is appropriated by government. Nothing, however, can be more unfounded than such a notion. And, how much soever it may be at variance with the popular opinion on the subject, it is abundantly certain that, including poor-rates, and other county rates, the land of England is more heavily taxed than that of France.

In Austria and Prussia the land-tax furnishes a large proportion of the public revenue. The governments of both countries have laudably exerted themselves for a lengthened period to introduce a regular plan of assessment, and to make

* See chap. iv. of the "Treatise on the Succession to Property vacant by Death," by the author of this work.

all lands, whether held by nobles or others, contribute equally to the wants of the state. But notwithstanding the efforts to equalise the assessment, it still differs very widely in different provinces, and sometimes even in different cantons of the same province. The principle generally followed is to assess the tax on the nett produce of the land, supposing it to be in a medium state of improvement; the nett produce including, as in France, the rent, but excluding the seed and all expenses of cultivation.*

CHAPTER III.

TAXES ON WAGES.

In every discussion respecting the influence of taxes on wages, or on the articles consumed by the labouring classes, it is proper to distinguish between the *natural* or *necessary* rate of wages, or the rate required to enable the labourers to subsist and continue their race, and the *market* rate, or the rate which is paid them at any particular period.

The natural or necessary price of labour, like that of everything else which may be indefinitely increased or diminished, is determined by the cost of its production. The capacity of the labourers to support themselves, and to rear as many children as may be required to keep up their numbers, does not, it is plain, depend on the money they receive as wages, but on the quantity of necessaries and conveniences which that money will exchange for or buy. The necessary rate of wages depends, therefore, on the cost of the food and other things required for the maintenance of labourers. It is high where that food consists principally of expensive articles, such as butchers' meat and wheaten bread; lower where less animal food is consumed, and an inferior variety of grain, such as

* For full details respecting the land-tax of Austria, see the valuable work of Tegoborski, "Des Finances et du Crédit Publique d'Autriche," i. pp. 148—195.

oats, is used in making bread; and lower still where animal food is wholly, or all but wholly disused, and the place of bread is supplied by potatoes, turnips, and such like vegetables. The rate of necessary wages will also, it is evident, depend a good deal on other circumstances; on the superior or inferior lodging and clothing, and generally on the habits and customs of the poor. But how high soever the price of necessaries may rise, the labourers, speaking generally, must always receive such a quantity as may enable them to support themselves, and continue their race. If wages fell below this necessary level, they would be left destitute, and the consequent diminution of their numbers would sooner or later raise wages to their old level, or to one not very different; and, on the other hand, if wages rose considerably above this level, a stimulus would be given to population, and the increase of labourers would, in the long run, lower wages.

In considering how taxes and variations in the price of the articles used by the labourers affect their wages, it should be stated whether the latter are rated by the day, week, or other portion of time, or by the piece. In this country they are partly rated in the one way, and partly in the other. And though, from household servants being mostly paid by time, the generality of persons are most familiar with wages so rated, it may be doubted whether the sums paid on their account greatly exceed those paid to labourers by the job or piece. This distinction has been little, if at all, attended to by writers on taxation; and it may appear to a careless observer as if it were immaterial to inquire whether work-people are hired in the one way or the other. But a little consideration will suffice to show that this is far from being the case, and that it is indispensable, in reasoning upon such matters, that the distinction in question should be kept steadily in view.

This, however, is not the only distinction to be attended to in these discussions. It is further indispensable, if we would form accurate conclusions respecting the influence of taxes on wages and necessaries, to ascertain whether the labourers (however hired) subject to such taxes live in the houses of

their employers, or in their own lodgings, and on their own account. It is evident that taxes on the articles consumed by domestic servants do not fall directly on them, but on their masters. Such taxes will, no doubt, if they be carried beyond their proper limits, make fewer servants be employed; but, except in so far as they may operate in this way, duties on the sugar, tea, beer, and other articles used by household servants, are wholly paid by those with whom they live. Hence the importance of distinguishing in these investigations between such servants, and labourers who live in cottages or lodgings of their own. The class of domestic servants in England and other advanced countries is very large indeed. And it is apparent that a corresponding share of the taxes which are said to fall wholly on the lower classes, is neither assessed upon nor paid by them, and in most cases hardly even affects them indirectly. The following remarks will, therefore, especially refer to those labourers, whether engaged by time or by the piece, who do not live with their employers, but who provide themselves with lodging and subsistence.

The opinion of those who contend that the rate of wages does not depend on the cost of the articles consumed by labourers, but on the demand for them compared with their numbers, has obviously originated in their confounding the circumstances which determine the price of labour at particular periods, with those which determine its necessary or average price. But though the price of labour at any given time depends on the supply of labourers as compared with the demand for their services, it is easy to see that the supply will cease to be brought to market, unless the customary rate of wages be sufficient to maintain and bring up labourers; that is, if we may so speak, to pay the cost of their production. This is a principle to which we must always come at last. To set it in a clearer point of view, let it be supposed that, owing to a deficient harvest, the price of bread is doubled: it is plain, inasmuch as the same number of labourers will be seeking employment after the rise as before,

and as there is no ground for supposing that a scarcity should increase the demand for labour, that wages will not be advanced. The labourers will, in consequence, be forced to economise, and the rise of price will, by lessening consumption, distribute the pressure equally throughout the year. But suppose that the rise, instead of being occasioned by the accidental occurrence of a scarcity, has been occasioned by an increased difficulty of production, and that it will be permanent, the question is, will wages continue at their former rate, or will they rise? In this case there is every probability that they will rise. But their increase will be effected very differently in the cases of labourers paid by time and by the piece. It is plain that the rise of prices will change the situation of both classes for the worse. Among those hired by the day, week, or other portion of time, and supplying themselves with subsistence, if there be any who, previously to the rise, had only enough to live upon, they will be reduced to a state bordering on destitution, and will probably have to fall back upon the workhouse. Under such circumstances, an increase of mortality will most likely take place among them; while the greater difficulty of providing subsistence will contribute to check matrimonial connections and the increase of population. For, to use the words of Paley, "the same consideration, namely, a view to their *accustomed* mode of life, which is so apparent in the superior order of the people, has no less influence upon those ranks which compose the mass of the community. The kind and quality of food and liquor, the species of habitation, furniture, and clothing, to which the common people of each country are habituated, must be attainable with ease and certainty before marriages will be sufficient to keep up the population to its just extent." * By these means the number of labourers, and the ratio of their increase, or both, will in all probability be diminished; and this diminution will operate to raise wages. Happily, too, there are in most countries but few labourers who are unable to meet a fall

* "Moral and Political Philosophy," book vi. cap. 11.

of wages, either in whole or in part, by increased frugality and a more judicious outlay of their means. So that what with a slower increase of the more necessitous portion, and greater economy and foresight among the others, wages will be ultimately brought to their natural rate, that is, as Adam Smith has defined it, to such a rate as may enable them to obtain "not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."

But the piece-work labourers have another resource in addition to those now mentioned. If A be hired to execute a given work, by which, when using ordinary diligence, he makes 3*s.* or 3*s.* 6*d.* a day, he may, perhaps, be able, by using greater diligence, to make 4*s.* or 4*s.* 6*d.* a day; and may in this way be fully able to meet the increased burden he is called upon to sustain. It is obvious too that every fall of wages, whether it be brought about by taxation or otherwise, unless it be so great as to prostrate all their energies, will not merely stimulate the piece-work labourers to redouble their exertions, but will make them exert themselves to discover new and more easy methods of accomplishing their tasks. What is true of necessity is true of taxation. If not carried to an extreme, it occasions fresh displays of industry, frugality, and ingenuity.

Adam Smith and Ricardo contend that the labouring classes contribute nothing of consequence to the public revenue. But, notwithstanding the deference due to their authority, the previous statements show that this opinion must be received with much modification. Had it been restricted to the case of household servants, it would have been nearly correct. It may, however, be, and we believe it most frequently is, very wide of the mark when applied to the case of out-of-door labourers, whether working by time or by the job. Those hired for definite periods, or by time cannot, indeed, meet the burden imposed by additional taxes, or by a

rise of prices, through increased exertion; but we have seen that in those cases in which they do not meet it by increased economy and circumspection, it will affect their numbers, and will, in the end, be wholly or partly compensated by a rise of wages. And that large class of labourers who work by the piece, and by whom manufactures of all sorts are principally carried on, may and certainly do, in all cases, make large contributions to the public revenue. A tax on any article consumed by them, provided it be not excessive, never fails to make them more industrious. Were their powers already tasked to the utmost, this, of course, would not be the case. But, though far from being so comfortable as might be wished for, they are not, fortunately, reduced to this miserable state either here or anywhere else. They have ample room for the exercise of greater industry, frugality, and ingenuity. And so long as this is the case, they will continue to contribute in the most effectual manner to the revenue. It may be doubted whether the taxes on tobacco and spirits have added materially to the wages of labour; and whether the immense sums paid on their account by out-of-door labourers be not principally the result of the greater industry and frugality occasioned by their desire to command these gratifications.

If a specific quantity of certain articles were necessary for the support of labourers, it is plain that wages could not be reduced for any considerable period below that quantity or the sum of money which would buy it. But there is no such absolute standard of wages. The articles which are deemed necessaries, and the quantities of them which are made use of, depend, in great measure, on custom and habit, and are, in consequence, extremely variable. The people of Hindostan principally subsist on rice, those of Ireland on potatoes, and those of England on bread and beef. In one country it is discreditable for the lowest orders to be without comfortable clothing, including shoes and stockings, while in others, with a different climate, or with different habits, the clothing of

the people may be comparatively scanty and inferior, and shoes and stockings be used only by the rich. In some provinces of France and Spain an allowance of wine is considered indispensable; and in England the labouring class entertain nearly the same opinion with respect to porter, beer, and cider. The difference of public taste at different periods in the history of the same countries is equally striking. The articles which custom and habit require for the subsistence of the English and Scotch labourers of the present day are as widely different from those which were required by their ancestors in the reigns of Elizabeth, James I., and Charles I., as they are from those which form the ordinary subsistence of the labourers of France and Spain. Despite the depressing influence of increasing taxes and other circumstances, the standard of subsistence has been raised, and the poor have been taught to form more elevated notions respecting the quantity and the species of the articles which it would be discreditable for them to be without.

The natural rate of wages is not, therefore, fixed and unvarying. On the contrary, it has a tendency to rise when the market rate rises, and to fall when it falls. This is occasioned by the supply of labour in the market being neither speedily increased when wages rise, nor speedily diminished when they fall. And the powerful influence which fluctuations in the market rate of wages have over the condition of the labouring classes, especially those out-of-door labourers that are engaged by time, principally depends on this circumstance. If the supply of labourers were suddenly increased when wages rise, that rise would be of little or no advantage to them. It would not enable them to mount in the scale of society, or to obtain larger supplies of necessaries and conveniences. And, on the other hand, if the supply of labourers were suddenly diminished when wages fall, that fall would have no tendency to degrade their habits or to lower their condition. But, in general, no rise of wages can be countervailed by an increased supply of workmen coming into

the market until eighteen or twenty years after it has taken place; for there are few or no branches of industry in which an active and skilful workman can be bred in a shorter period. And hence the labourers are placed, during this lengthened interval, in a better situation. They have larger supplies of food; they have better clothes and better habitations; they are rendered more attentive to cleanliness; and they learn to use more prudence and circumspection in the forming of matrimonial connexions. Time is given for the formation of new and improved habits. And the opinions of the poor respecting what is required for their comfortable subsistence being raised, the necessary rate of wages is proportionally augmented.

These results may, however, be modified, if foreign labourers, or labourers from a different part of the same country, be permitted freely to immigrate into the country, or portion of the country, where wages have risen. There can be no doubt, for example, that any considerable increase of wages in England would give an increased stimulus to immigration from Ireland; and that the English labourers would, in consequence, be deprived, in part at least, of the advantages which the increase would otherwise confer on them.

It is equally impossible suddenly to diminish the number of labourers when wages fall. Such diminution cannot, as already stated, be effected otherwise than by an increase of mortality, or by a decrease in the number of births, or both. But unless the fall were alike sudden and extensive, it would require a considerable period to render the effects of increased mortality very apparent; and it is so difficult to change the habits of a people, that, though the demand for labour were to decline, it would, notwithstanding, continue for a while to flow into the market with but little less rapidity than before. Nor would the proportion of births to the population be materially diminished, until the misery occasioned by the restricted demand on the one hand, and the undiminished supply on the other, had been pretty generally and widely felt. But if the country, instead of being stationary or retrograde, were increasing in

wealth and population, the result would be different, and a fall of wages would then be obviated with comparatively little inconvenience to the labourer.

In whatever way, therefore, a fall of the wages of labourers hired by time, and supplying themselves with food and other accommodations, may be countervailed, and their restoration to their old level brought about—whether it be by increased frugality, or the greater prevalence of moral restraint, or both, it is never the work of an instant. It always requires a considerable time before it can be effected; and there is, therefore, an obvious risk lest the habits of the labourers should be lowered in the interval. When wages fall, or necessaries rise in price by the imposition of taxes or otherwise, the poor are obliged to economise. And should the coarse and scanty fare that is thus, in the first instance, forced upon them by necessity, become in the end congenial from habit, there would no longer be a motive to occasion increased exertion, or the exercise of a greater degree of economy, or of moral restraint, so that the necessary rate of wages would be reduced. This, however, is seldom, if ever, the case in improved and prosperous communities. In these the labourers are always in the enjoyment of various conveniences and luxuries, and they generally contrive, by refraining from some of them and becoming more industrious, to meet and defeat a fall of wages, or to hinder it from having any permanently disastrous influence over their condition.

These considerations are of paramount importance in estimating the influence of taxes on tea, sugar, tobacco, and other articles consumed by the labourer. That they are paid by him, in the first instance, is obvious; but the question is, are they not reimbursed to him, partly by increased exertion and economy, and partly by a rise of wages? And that such is really the case is sufficiently evident. Sugar and tea having become necessaries, and the taste for tobacco, and, we regret to add, spirits, being generally diffused, an increase in their price, occasioned by a tax, operates in the same way, though not perhaps to so great an extent, as an increase in the price of bread, of houses, or of clothing; that is, it tends to

make the labourers more thrifty, and less improvident in entering into matrimonial connexions; and in this way it contributes to improve their habits, and to raise wages. And hence it is found that their condition is rarely, if ever, changed for the worse by the imposition of reasonable duties on the articles in greatest demand amongst them.

It has, indeed, been said, in relation to the circumstances now referred to, that we have exaggerated their beneficial influence. We are told that, though the more intelligent labourers may see, when they have to face privations, what is the line of conduct most for the advantage of their order, yet, that being only a small minority, they cannot but know that all which they could do would be of no moment in bringing about a general result; that if they be industrious and frugal many more will be idle and dissipated, and trust only to the workhouse; that "others will swamp the market with their children, though they live childless;"* that it is to no purpose to insist on people generally abstaining from matrimonial connexions that they may, at some future period, limit the supply of labour, and raise wages; that the wish to realise such remote and doubtful results is too visionary ever to become a principle of popular action, or, in fact, to have the slightest influence; that, though it were otherwise, no sensible effect could be produced without the co-operation of immense numbers; and that it is needless to add that combination for such a purpose is quite chimerical.

But, though plausible, these statements proceed on an entire misapprehension of the circumstances; for this happily is a case in which co-operation is as unnecessary as it would be impracticable. Every man who acts prudently and discreetly is sure to improve his own condition, irrespective altogether of the behaviour of others. He knows he is labouring for himself; and that he will reap all the advantage of whatever frugality, diligence, and foresight he may manifest in his calling or his

* Newman's "Lectures on Political Economy," p. 110.

behaviour. And there can be no question that this knowledge powerfully influences, or rather determines, the conduct of the great majority of all intelligent communities. "Men will not marry to sink their place or condition in society, or to forego those indulgences which their own habits, or what they observe among their equals, have rendered necessary to their satisfaction."* This principle is universally applicable. It makes marriages be deferred to a much later period in old settled countries than in colonies; and it prompts all classes to exert themselves to ward off the depressing influence of taxes on necessaries, scarcities, political convulsions, and so forth, by the exercise of additional foresight, economy, and enterprise.† The teaching of adverse circumstances may be quite as advantageous in politics as in morals. And what was at first supposed to threaten a decrease of wealth and enjoyments is frequently found to occasion an increase of both.

These conclusions are confirmed by the widest experience. Notwithstanding the great increase of taxes during our lengthened struggle with revolutionary France, the condition of our people was not deteriorated at its close. And now that the greater number of the war taxes have been reduced or repealed, and that the corn laws and prohibitions that indirectly added to the price of food have been abolished, they enjoy all the advantages of the change combined with the more careful and industrious habits that grew out of the previous state of things. And hence their superior industry, and generally improved condition.

But without taking the last-mentioned circumstances into account, it is uniformly found that countries in which property is secure, and industry free and well-protected, can sustain, without injury, a large amount of judiciously devised taxes.

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* Paley, "Moral and Political Philosophy," book vi. cap. 11.

† A striking confirmation of the truth of the above statements is supplied by the late returns from Lancashire. These show that the usual number of marriages among the manufacturing classes has been greatly reduced during the present distress, sometimes to the extent of 30 and 40 per cent.

Holland is a country where taxes are extremely heavy, and where they are laid on the most indispensable articles; and yet, the lower classes in Holland are uncommonly well off. The countervailing influences which the taxes have called forth have been so very powerful that wages have been raised in a corresponding degree, and the habits and condition of the labouring class materially improved.

The truth of these statements will appear still more obvious, if we compare the condition of the lower classes in England and Holland with their condition in the great continental monarchies, in which the revenue is principally derived from direct taxes on lands, houses, trades, &c. Their superior well-being in the former is a fact not to be denied. They are better lodged, better clothed, and better fed; and though they work harder, that has no injurious influence over their health. On the contrary, the chances of life in England are at least one-third greater than in the countries referred to; and such, but for its humidity, would also be the case in Holland.

No doubt, therefore, there is a vast deal of fallacy in the statements so frequently put forth in regard to the operation of taxes on the articles principally consumed by the working classes. Their mischievous influence has been greatly exaggerated; sometimes through ignorance, and sometimes, and more frequently perhaps, from less excusable motives. In the great majority of cases, these taxes, provided they are kept within such limits as do not admit of smuggling, and judiciously assessed, are countervailed, or more, by a rise of wages, or by increased industry and economy, or both. And instead of being injured, the condition of the labourer has, in truth, been greatly improved through their instrumentality.

The want of providence, and the dissipated habits that are so widely spread, are the real sources of the destitution and misery that prevail among the poor. It is mere ignorant prejudice, or worse, to ascribe them to taxes on gin, tobacco, and beer, or even to those on tea and sugar.

Adam Smith has said that, "while the demand for labour, and the price of provisions remain the same, a direct tax on the wages of labour can have no other effect than to raise them somewhat higher than the tax."* And he further states that, in the event of the wages of manufacturing labour being increased by a tax, the burden will ultimately fall, not on the manufacturers or merchants, but on the consumers, through an increase in the price of commodities; and that, should the tax raise the wages of agricultural labour, it will really fall, not on the farmer or the consumer, but on the landlord.

But it is easy to see that these conclusions are incorrect. The immediate influence of a tax on wages does not depend on the demand for labour continuing stationary, but on the way in which its produce is expended. And it is now admitted on all hands, that when wages really rise,† whether from being taxed, or any other cause, that rise does not generally raise the price of commodities, or lower rent, but forms, in the great majority of instances, a deduction from the profits or incomes of those who employ labour.

To illustrate its operation, suppose that a tax of 10 per cent. is imposed on wages, or that work-people are made to hand over 10 per cent. of their earnings to collectors appointed by Government. Seeing that no part of the tax is taken from the employers, it is clear it cannot diminish their means of hiring labour, so that its effect will depend on the way in which it is expended. If it be laid out in hiring additional troops or sailors, it can do no immediate injury to the labourers; for, in that case, the Government will enter the labour market with means of purchasing, derived (not from the employers, but) from the labourers themselves, and, in consequence of this greater competition, wages will be raised in proportion to the additional means at the disposal of

* "Wealth of Nations," p. 390.

† A rise of wages is often nominal only, resulting from a fall in the value of money.

Government, or, in other words, to the amount of the tax. An example will render this apparent. Suppose that the labourers in a particular country receive 2,000,000*l.* a year of wages, and suppose further, that Government wishes to increase the number of troops, and in that view lays a tax on wages of 10 per cent., or 200,000*l.* It will follow, inasmuch as the employers will continue to come into the market with the 2,000,000*l.* formerly expended by them on labour, while the agents of Government will also come into the same market with the 200,000*l.* derived from the tax, that, between the two, wages will be raised in proportion to the latter.

But were the tax not laid out, as has been supposed, in hiring additional troops, but in increasing the pay of those already embodied, or of other Government functionaries, its effect would be different. In such case there would be no additional demand for labour. The individuals receiving the tax would, indeed, have a greater demand for products of one sort or other; but their greater demand, being equivalent only to the diminished demand of those by whom the tax had been paid, would make no real addition to the total demand of the country. And thus it appears that when the produce of a tax on wages is employed to hire additional individuals for the public service, it raises, by taking so much labour out of the market, the price of the remainder in proportion to its amount. But when its produce is employed to increase the wages of public functionaries or of troops already embodied, the quantity of labour in the market is not lessened, and the tax consequently falls, in the first instance, wholly on the labourers. But, even in this last case, it is most probable that the tax would not continue to be entirely or principally paid by them. When first imposed, it could hardly fail, by lessening the comforts, and perhaps also the necessaries of the labourer, to stimulate economy and check the progress of population; and in this way its deleterious influence might be eventually neutralized.

But it is always sound policy to guard against whatever has any chance, however remote or small, of lowering the habits of the bulk of the people, or of reconciling them to an

inferior scale of living. And hence we should be disposed to consider all taxes raised on wages as most objectionable, unless their produce were expended in hiring additional troops, or in removing labour from the market. And even in such cases it is very questionable whether they should be resorted to. It would be exceedingly difficult to satisfy workpeople that the produce of a tax on wages, however laid out, ever reverted to them. They would see the sacrifice they were called upon to make, but they would see no more. If their condition were not deteriorated, the circumstance would be ascribed to causes which the tax would not be considered as promoting, but as counteracting. Such taxes would, therefore, be in no ordinary degree unpopular. And, besides, it is clear that, if they be expended so as to raise wages—and otherwise they should on no account be imposed—they may as well be laid directly on the employers. If the latter do not pay them at first, they must pay them at second hand. And though their effects were in other respects somewhat different, a prudent minister would rather choose to tax the employers directly than to tax them indirectly, by laying burdens in the first instance on the labourers that will ultimately fall on them. It is true that the plan of directly taxing the employers is of no real advantage to the labourers; but neither is it injurious to the employers; and the circumstance of its lessening irritation and facilitating the imposition of the tax should make it be preferred.

It is obvious, therefore, that the real injury entailed on labourers by taxes on wages, expended in the way now supposed, does not consist so much in their immediate as in their remote effects. By falling on profits they tend to diminish the power to accumulate capital. And when carried so far as to have this effect, they cannot fail, unless the rate at which population was previously advancing be diminished by the more powerful operation of moral restraint, to lower wages and depress the condition of the labourers.

In France, and some other continental countries, duties (*octrois*) are laid on butcher's meat, and most other articles of provision, and on wine, beer, &c., on their being brought into

Paris and other great towns. The produce of these duties constitutes either the whole, or a considerable portion, of the municipal revenue of the places where they are imposed. This system is, however, most objectionable, not only from its taxing necessaries, but in a still greater degree by its preventing the free transit of produce from place to place, and the encouragement it gives to smuggling. Its abolition would be a great boon to industry; and it might be compensated by a low duty on houses, which would have few or none of the injurious consequences that are justly ascribable to the *octrois*.

Taxes of so much a-head, or poll-taxes, upon the labourers employed in husbandry were formerly common all over Europe. When they are payable to the landlord, as is now, or was very recently, the case in Russia, Hungary, and some other countries, they are to be viewed as the rents of the possessions held by the contributors; but when they are paid, as has been the case in France, England, and Holland, to Government, they are really taxes on wages. The latter description of poll-taxes have seldom been very productive, and have uniformly been submitted to with great reluctance. They seem to have been first imposed in England in the reign of Edward III.; and their augmentation, in the early part of the reign of his grandson, Richard II., was the principal cause of the discontent and irritation that broke out in the famous rebellion headed by Wat Tyler. Poll-taxes proportioned to the rank and station of individuals were afterwards imposed in the reigns of Henry VIII., Charles I. and II., and, lastly, in that of William III., when, however, they were finally abolished.

It is unnecessary to dwell at any length on the policy of these taxes. When confined to the labouring classes, they are, to all intents and purposes, taxes on wages. And when they are made to include every description of persons, and are varied, according to their rank and station, they partake of the nature of an income-tax. It is obvious, however, that such taxes must always be extremely unequal, and therefore

extremely objectionable. Two individuals may be of the same rank, and may fill the same station, while the income of the one may be five or ten times greater than that of the other. Surely, however, it is unnecessary to say that nothing could be more unjust, or contrary to sound principle, than to impose an equal tax on these persons. A man's rank or station is no test of his income. But, as it is the only test that can be resorted to in the imposition of a graduated poll-tax, it results that it cannot be fairly assessed, and consequently that it should not be adopted.

The *taxe personelle*, or poll-tax, existing at present in France, consists of the value of three days' labour due by all individuals of both sexes in the enjoyment of civil rights, and not classed as paupers. The principal sum to be paid is fixed by the council general of each department, under the condition that it shall not be under 50 c. a day, nor above 1 fr. 50 c.; but this principal may be indefinitely augmented by the imposition of additional centimes.

It has sometimes been attempted to divide the population into classes, and to estimate the amount of taxation falling on each class, and on the individuals comprised in such classes. But conclusions of this sort, even when arrived at with the greatest care, are little better than rough guesses. It is not possible to draw any distinct line of demarcation between the different classes of the community, nor, supposing that to be done, to compute the income of each class. And though these results could be learned with considerable precision, the considerations now laid before the reader show that the information would be worth little or nothing. For it would be impossible to say, or even conjecture, with any considerable show of probability, how much that taxation, of which we were endeavouring to estimate the apparent influence, may have raised the incomes of the lower and depressed those of the upper classes. In such a vast and complicated system no one needs attempt to estimate the action or influence of any single portion as if it were separate and independent; and

it were equally vain to attempt to trace and exhibit the reciprocal influence of the different parts of the machine on each other.

Having thus endeavoured to set before the reader the effects that would most likely result from the imposition of taxes separately affecting rent, profits, and wages, we shall now proceed to inquire into the effects resulting from the imposition of a tax proportioned to the incomes of individuals.

CHAPTER IV.

TAXES ON PROPERTY AND INCOME.

The reader may, perhaps, be disposed to regard this chapter as superfluous. All incomes being derived from rent, profit, or wages, it may seem that the previous discussions have exhausted the subject; and that, to estimate the operation of the tax in any particular instance, we have merely to ascertain the source or sources whence the income of the party is derived, and then to apply the principles already laid down. But this would be a fallacious conclusion. Taxes on professional incomes, or on the wages of professional men, differ widely in their operation from taxes on rents, profits, or the wages of common labourers. And besides this, there are many nice and difficult questions to be examined before we are in a condition satisfactorily to appreciate the operation of taxes on property and income.

We may observe at the outset, that whatever difficulties may occur in estimating the incidence and practical operation of such taxes, there can, at all events, be no question in regard to the principle on which they should be imposed. It is agreed on all hands that they should be made to square with the first of Adam Smith's general maxims, or be assessed so that they may fall on different individuals "*in proportion to their respective abilities*, or *in proportion to the revenue which*

they respectively enjoy under the protection of the state." Thus far everything is obvious; but when we propose acting on this principle, sundry difficulties present themselves. Shall we take the properties of different individuals as evidences of their ability to bear taxes, and assess property only? Shall we estimate the values of different sorts of property by the same standard, and subject the owner of a capital of 1,000*l.* to the same rate of taxation as the owner of a capital of 10,000*l.* or 100,000*l.*? Or, supposing income to be assessed, we have then to inquire whether the incomes of professional men shall be as heavily taxed as those of landlords and capitalists? and whether the same proportional charge should be made on incomes of 100*l.* or 1,000*l.* a year, as on those of 1,000*l.* or 10,000*l.*? These are not questions of easy solution; and yet they must be disposed of one way or other before we can correctly appreciate the influence of taxes on property and income.

If we had to choose between taxes on property and taxes on income, the latter ought to be preferred. It will be immediately seen that it is neither practicable to ascertain incomes with anything like accuracy, nor to tax them fairly after they have been ascertained. But whatever errors may be made in estimating and assessing income would be equalled, and probably exceeded, by those that would be made were it attempted to estimate and assess property. Let any one fancy himself appointed to value the property of some one of his neighbours engaged in agriculture, or in any branch of trade or manufacture, and a little reflection will satisfy him that the task is one of no common difficulty. Suppose, for example, that it were required to estimate the stock of an individual engaged in farming: in this case, the property to be valued is mostly all obvious, and it might be supposed that there would be little difficulty in the matter; and yet, in point of fact, the difficulties would be next to insuperable. In the first place, there would be no end of disputes in regard to the values of many articles; and, in the second place, who is to decide upon what is to be deemed stock, and what not? What is the proper

period at which to estimate the stock upon a farm? Shall it be January, March, or August? And, supposing the term to be agreed upon, is all that is then upon the farm to be considered stock? or, if not, what deductions are to be made to arrive at the correct amount of the stock or capital employed on the farm? Suppose that a field has been recently limed, marled, or otherwise manured, at a heavy expense, is the worth of this improvement to be taken into account in estimating the farmer's stock? And if this question be answered (as we incline to think it should be) in the affirmative, how is the value of those manures to be ascertained that have been recently ploughed down and incorporated with the soil? But difficult as it would be to form any fair estimate of the capital of individuals engaged in husbandry, it would be still more difficult to estimate that of those engaged in trade. It is to no purpose to refer to books; for, were they used for such an object, it would be easy for those who intended to evade the tax to construct them so that they should yield no information, or such only as was false and misleading. In fact, it would be found that, in nine instances out of ten, except in the cases of funded property, money lent on mortgage, and a few others, nothing better than a rough estimate could be obtained. Recourse might, no doubt, be had to the oaths and declarations of the parties; but every system of taxation is radically vicious that sets the interest and the duty of individuals at variance — that tempts them to balance between the sacrifice of property and the commission of perjury.

Admitting, however, that it were possible, which it really is not, to form a tolerably fair estimate of the property of individuals, its adoption as a standard by which to determine the amount of taxation would be singularly inexpedient. It is necessary to look as well at the practical operation as at the apparent justice of a principle. On a superficial view, nothing seems fairer, supposing the properties of individuals were known, than to tax them proportionally; and yet few things would, in reality, be more unfair and mischievous.

The productiveness of property is an important element in

measuring the ability of its owners to bear taxes. A. has a farm, a house, or a shop, let to a substantial tenant, who pays his rent punctually. B. has a property of the same kind and of the same value, but it happens to be let to a bad tenant, unable to pay any rent. In like manner one shipowner has a ship at sea, making a profitable voyage, while that of another is in port unemployed. The furnaces of one iron master are in blast, while those of others are out of blast; and so in fifty other instances. And such being the case, could anything be more unfair—more completely at variance with the principle of proportioning taxes to the ability of the contributors—than to subject parties placed under such different circumstances to the same rate of taxation? If we would avoid injustice, the productiveness as well as the amount of the property belonging to individuals must be taken into account in subjecting them to direct taxes. Taken by itself, property is no accurate test of the capacity to bear taxation. That depends quite as much on income as on property; and to leave the former out of view in assessing taxes of this description would be like leaving the influence of currents or of contrary winds out of view in estimating the course of a ship.

Besides being unfair, taxes on property have sundry practical consequences of the most mischievous kind. If a tax be laid on income it creates an inducement to conceal its amount, but it does not tempt any one to employ inferior instruments or processes in carrying on his employment. This, however, is the inevitable effect of taxes on property. They create a motive to elude their pressure, by fraudulently underrating its amount and concealing its employment. Those engaged in industrial occupations are tempted to carry them on with an insufficient amount of capital. An indisposition is generated to make fresh outlays on works or improvements, seeing that it will be taken as an evidence of increased wealth, and will consequently expose the parties to additional taxation. The object, under such circumstances, is not to appear rich, but to appear poor, and the reality too often corresponds with the appearance. We have already seen that this was one of the

worst consequences of the taille in France; and this, in a greater or less degree, is the effect of all taxes proportioned to the capital or property of individuals. Had a tax of this sort, of any considerable amount, existed during the last half century in England, there is no probability that the progress either of manufactures or agriculture would have been half so great as it has been.

In the Roman empire all sorts of property, whether consisting of land or moveables, were estimated with the greatest care, and subjected to taxation. Individuals were obliged to make oath to the accuracy of their returns; and those who were detected in making false returns, or in attempting to evade the tax by concealing or underrating their property, were punished capitally and had their estates confiscated. The results were such as might have been anticipated. There was a constant struggle between fraud and perjury on the one side and oppression on the other. Entire provinces were ruined. And the emperors sought to derive some merit from remitting tributes which their subjects were utterly incapable of paying, but which, had they been properly assessed, might have been paid without difficulty.*

Much, however, of the practical influence of taxes on property depends on their magnitude. They may, like arsenic, be safe if administered in extremely small doses. A tax of 1 or 2 per cent., for example, imposed on the stock of a farmer or manufacturer, might not be sufficient to tempt him either to underrate its amount or to counterfeit poverty by employing inferior instruments; whereas a duty of 5, 10, or 15 per cent. might have these effects in a strongly marked degree. Nothing, in truth, can be a greater mistake than to suppose that fraud and the evasion of duties are confined to the customs and excise. They are practised with much greater facility, and to a much greater extent, in taxes on property and income than in any other fiscal department. The low-

* Dureau de la Malle, "Economie Politique des Romains," ii. 422, &c. Gibbon, cap. 17.

ness of the duties that were imposed for local purposes on property in the United States was the only thing that made their assessment be submitted to, and prevented the abuses with which they were infected frombecoming intolerable.*

It is only, therefore, in certain cases—and those probably not the majority—that the amount of their property affords anything like a true criterion of the ability of individuals to bear taxes. And, though it were otherwise, the preceding statements show that it is all but impossible to determine its amount; and that supposing this to be known it would be extremely inexpedient to adopt it as a standard of taxation. Hence it appears that taxes proportioned to property must be as unequal, as can easily be imagined; while from their pernicious influence over industry, and the stimulus they give to fraud, they become, when not confined within the narrowest limits, a fruitful source of poverty and dissatisfaction.

Perhaps, however, it will be said that we mistake the views of those who propose that a tax should be laid on property; that it is not meant that it should be universal, or that property engaged in industrial undertakings should be subjected to its operation; but that it should be assessed only on what is called realized property, that is, on lands, houses, the public funds, mortgages, and such-like securities; and that, when so restricted, the tax would not have the effects previously ascribed to it. But, though this be to some extent true, the limitation of the tax in the way now stated would be most unjust; and its operation, if so restricted, would be more injurious than if it were extended to all sorts of property.

There is no foundation for the notion that land is held by those only who have withdrawn from active life; it is often purchased as a means of investing capital, and cultivated only

* Pennsylvania, one of the richest states in the Union, with 2,314,897 inhabitants, had in 1850 a revenue of 4,438,131 dollars. Of this sum the "tax on real and personal estates" produced only 1,317,822 dollars, or 263,000*l.*, being little more than half the produce of the moderate duty laid in this country on coffee!

with a view to profit. Suppose two individuals have each 5,000*l.*, and that one of them vests his money in land, the other in a ship. What could be more unjust than to tax the property of the former, and allow that of the latter to escape? Would this be making them contribute to the wants of the state "in proportion to the revenues they respectively enjoy under its protection?" It has been said, in vindication of this distinction, that the properties are of a different description; that the land will last for ever, whereas the ship will be speedily worn out. But, though this be true, it is also true that, while the land will not yield more, probably, than 180*l.* or 200*l.* a year to its owner, the ship will, at an average, produce 500*l.* or 600*l.* a year or more; and by insuring the ship and accumulating the surplus which is beyond ordinary profits, a sum will be provided sufficient to replace the ship when she is worn out. Insurance effectually provides against all risk of loss by accident, so much so, that the capital vested in a ship or a cotton-mill may be rendered substantially as secure as if it were vested in land.

Great misconception prevails among the majority of the manufacturing, mercantile, and monied classes, with respect to the situation and circumstances of the owners of land. The possessors of large estates are but few in number. Inasmuch, however, as they fill high stations and stand prominently forward, they engross the attention of the superficial observer, and prevent him from fixing his eye on the mass of small obscure landowners who make up the great bulk of the class. The land belonging to opulent proprietors bears, in fact, no large proportion to that which belongs to persons of middling and rather small fortune. Nothing can be a greater mistake than to suppose, as is generally done, that the landowners are an extremely opulent and luxurious class. These may be the characteristics of a few individuals amongst them; but it would be quite as wide of the mark to affirm that they are generally applicable to the entire class as that they are generally applicable to the classes of manufacturers and traders. Were the landlords of England and the master manufacturers compared together, the latter would, pro-

bably, be found to be the richer, but hardly the more industrious, of the two. In the majority of English counties property is subdivided to a much greater extent than is commonly supposed; and there are few that lead a more laborious life, or are more under the necessity of abstaining from luxurious indulgences, than the owners and occupiers of small landed properties.* At this moment the entire landed rental of England and Wales may be taken at about forty-three millions. Now, as this has to be divided (excluding the proprietors of villas), among, probably, 200,000 proprietors, it gives to each an average income of about 215*l.* a year. And seeing that a few have much more, it follows that many must have a great deal less.

Those acquainted with the situation of the "statesmen," or small landed proprietors, of Cumberland and Westmoreland; the yeomen of many of the midland and southern counties; the copartners of Lincolnshire, &c., will have little difficulty in admitting what has now been stated. In extensive districts of Lincoln properties vary from 1 to 50 acres. Arthur Young, in his survey of that county, says that the proprietors of these petty estates are very happy; adding, that he was told "they work like negroes, and do not live so well as the inhabitants of the poor-houses."†

We, however, are very far from insinuating that this should be considered as anything like a fair representation of the general condition of the proprietors of small estates in England. But there are few classes to whom industry and self-denial are more indispensable. Indolence or extravagance would speedily sink them to the condition of labourers. It is only, indeed, by persevering exertion and economy that they preserve their place in society and bring up their families.

But though landlords were generally as rich and luxurious as is sometimes represented, the plan for laying exclusive taxes

* Land is not nearly so much subdivided in Scotland, but even there it is much parcelled in some districts.

† "Survey of Lincoln," 2d edit., p. 20.

on their property is too partial and unfair to entitle it to much attention. When, however, it is seen that instead of being rich, the majority of them are either poor or in but indifferent circumstances, the injustice of the proposal becomes still more glaring. There are archbishops and bishops, field marshals, admirals, and chief justices, enjoying incomes of several thousands a year, with many of our richest merchants, tradesmen, bankers, manufacturers, and professional men, who do not possess a single acre of land, or a sixpence worth of funded property. And is it to be seriously proposed that such parties should enjoy a total exemption from that direct taxation which is to fall with its full weight on the owner of a small farm, a cottage or patch of land, the depositor of a few pounds in a savings bank, or the annuitant deriving a pittance from an investment in the funds? Those who imagine that, if attempted, such injustice would be tolerated, mistake altogether the character and feelings of Englishmen.

It is a still greater mistake to suppose that funded property is principally held by the *fruges consumere nati*, or by those who take no active share in industrial pursuits. The opposite supposition would be a good deal nearer the truth. It will be readily admitted that those engaged in the businesses of banking and insurance have a fair claim to be ranked amongst the industrious classes; and yet the capitals of bankers and insurance companies are principally vested in the funds; so that a tax on the latter would really be a tax on the property of some of the most useful and industrious classes of the community. It should also be kept in mind that a large amount of funded property is held by those who have had capital thrown on their hands which they have not been able to employ in any active pursuit, and which they have vested in the mean time in the funds for the sake of the interest. A tax on them would tempt many such persons to keep their capital at their banker's or idle in their strong-box; it would do an injury to the industrial classes, without securing any corresponding advantage to the state.

But this is not all. Those who are so very fond of in-

dulging in declamatory invectives against the fundholders, and who endeavour to prejudice them in the public estimation by representing them as "leviathans of wealth," either know nothing of the matter or speculate upon the ignorance of their readers or hearers. The truth is, that the great majority of fundholders, like the majority of landholders, are persons of very slender means. The facility of vesting small sums in the funds, and the circumstance that none of the London banks allowed, till of late years, interest on the balances in their hands, have occasioned an immense influx of small depositors to the funds. The official statement for 1848 showed that the total number of parties entitled to receive dividends at the Bank of England in that year amounted to 284,127. Of these no fewer than 96,415 were entitled to sums under, and not exceeding, 5*l.*; 44,937 to sums under, and not exceeding, 10*l.*; 96,025 to sums under, and not exceeding, 50*l.* 13,882 to sums under, and not exceeding, 200*l.*; and only 177 to sums of above 2,000*l.* It will be observed, too, that the dividends due to the Equitable and other insurance companies, to the Banks of England, Scotland, and Ireland, and to a great number of other associations, are all paid upon single warrants, as if they were due to so many private individuals; whereas they are really paid to the managers of the institutions in question, merely because they act as agents or trustees for a vast number of other persons to whom they are distributed.

It is idle, therefore, to talk about taxing the funds in order to get at "the overgrown fortunes of the monied class." The statements now made show that a tax on the funds would fall principally on the lower and middle classes. It would, without materially abridging the comforts of the rich, aggravate in no ordinary degree the difficulties of the industrious part of the community; and unless the tax were extended to every other description of property, it would be an undisguised breach of the public faith.

But suppose that we are wrong in the previous statements; assume that all the lands, funds, and mortgages of the empire

are held by rich individuals not engaged in business; and that they may be, not unjustly, burdened with an exclusive tax—its imposition would, notwithstanding, be most unwise. What object have industrious persons in view? what is it that inspires them with courage to undertake, and resolution to overcome, the most irksome and laborious tasks? The expectation that they may be able to realize a fortune in land, funds, or mortgages. And were the state, in its fancied wisdom, to enact that these sorts of property should be specially charged with a heavy tax, it is clear that either accumulation would cease, or, which perhaps is the most probable result, it would go on at a reduced rate, and the accumulations, when made, would be carried to foreign countries, where taxes were imposed on some more impartial principle. It is useless to inquire which of these consequences would be most injurious. It is sufficient to know that either would be ruinous. And yet, strange to say, this and the other direct taxes whose destructive influence we have endeavoured to exhibit, are the nostrums which mob orators have of late years earnestly recommended as infallible specifics, by which to improve the condition of the work-people.

A tax on income is free from some of the inconveniences now pointed out; but others are inherent in it that should forbid its adoption, except as an extraordinary resource, to be resorted to when the less exceptionable sources of revenue are exhausted or closed. From a variety of causes, which it is needless to specify, property or capital, though engaged in industrial undertakings, may not yield, perhaps for a lengthened period, any return to its proprietors. While this untoward state of things continues, they will not, of course, be affected by a tax on income; their capital will continue unimpaired; and when the causes that have rendered it unproductive have been obviated, it will yield them and the public as large a revenue as ever. A property tax would operate very differently, and would affect capital, whether it were employed unproductively, or not employed at all.

Hence it would frequently fall—where no tax ought ever to fall—on capital, without giving the contributors any opportunity of defraying it out of revenue. And it would not unfrequently be proportioned to the disability rather than to the ability of those on whom it was laid.

A tax on income is free from this cardinal objection. Those who have no income, or whose capital affords no profits, escape the tax.* In this respect, therefore, it has an advantage over a tax on property; but in other respects the one and the other are equally objectionable.

Theoretically an income-tax is the fairest of all taxes. It purports to make every one contribute to the wants of the state in proportion to the revenue which he enjoys under its protection; while, by falling equally on all, it neither affects the distribution of capital nor the natural direction of employment, and has no influence over prices. It were much to be wished that a tax having such results could be imposed; but none such has yet been discovered; and those who expect that an income-tax is destined to realize them will be wholly disappointed. No doubt it would, could it be fairly assessed, have some of the supposed effects. But the practical difficulties in the way of its fair assessment are not of a sort that can be overcome. And the truth is that taxes on income, though professing to be equal, are among the most unequal that can be imagined.

The difficulties in the way of assessing income are of two sorts: 1st, the difficulty of ascertaining the incomes of different individuals; and 2nd, supposing their amount to be known, the difficulty of laying an equal tax on incomes derived from different sources.

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* We have stated, conformably to the maxim, *ex nihilo nihil fit*, what would appear to be the plain, common-sense view of a tax on income, viz., that before a party can be subjected to it, he must have an income to tax. But it seemed from the case of the Messrs. Fielden, referred to in the former edition of this work, that this was not necessary, and that parties without incomes might be subjected to the tax. This anomaly resulted from the Messrs. Fielden obstinately refusing to show, in the manner prescribed by the Act, that their profits were *nil*.

1. It would be useless to dwell at any considerable length on the first of these heads. Incomes arising from the rents of land and houses, mortgages, funded property, public salaries, and such-like sources, may be learned with tolerable precision; but it has not been, and, we are bold to say, never will be, possible to determine the incomes of farmers, manufacturers, dealers of all sorts, and professional men, with even a rude approximation to accuracy.

A strong dislike to the payment of direct taxes is all but universal. And though occasionally a few individuals be found who, from a wish to be thought richer than they really are, or a desire to quiet the suspicions of their creditors, return their incomes beyond their true amount, the great majority endeavour to conceal and underrate them. The strength of the motive to such concealment depends, of course, like the motive to conceal property, on the amount of the tax; and those who might willingly make a *bonâ fide* disclosure of their incomes, did it amount to only 3, 4, or 5 per cent., might take every possible means to conceal them did it amount to 10, 12, or 15 per cent. But, how low soever the rate of duty, a great many individuals always endeavour to evade or elude its pressure. And it is next to impossible to defeat the machinations of such persons by instituting an examination into their affairs. In very many cases such examination can lead to no satisfactory results; and the commissioners employed to assess the tax must either accept the returns sent by the parties whose revenues are not derived from visible and easily appreciated sources, when verified by their oath, or they must be authorized to assess them according to their own notions of what is right and proper. If the former criterion be adopted, everything is made to depend on the honour of the parties, so that the tax will fall with its full weight upon men of integrity, while the *millionaire* of "easy virtue" may well nigh escape it altogether. Hence it may without hesitation be said to be a tax on honesty and a bounty on perjury and fraud. And were it carried to any great height, or to 10, 15, or 20 per cent.,

it would generate the most barefaced prostitution of principle, and do much to sap that nice sense of honour which is the only sure foundation of national probity and virtue.

But whatever may be the consequences of making the amount of the assessment depend on the oath of the contributors, the presumption is that they would be still worse were it left to the commissioners to fix its amount. Even when most inclined to do what is right, they could not fail frequently to do that which is wrong; and while a wide door would be opened for the exercise of favouritism and antipathies, their most upright decisions would every now and then be denounced and ascribed to the basest motives. It is in fact impossible, do what you will, to assess large classes of incomes with any approach to fairness. If the parties will not faithfully disclose them, it is not in the power of any one else to ascertain their amount.

It is of importance, in considering this matter, to remember that in general a large portion, and sometimes the whole, of the sums realized by professional men, and very many other persons, is not really income, but a return of a part of the expenses or capital laid out on their education. We are compelled, in investigations of this sort, to be materialists enough to regard lawyers, physicians, engineers, tradesmen, and so forth, as machines or engines which have cost a certain sum, which are fitted to accomplish certain tasks, which last for a certain number of years, and which have to be replaced when they are worn out or become useless. And such being the case, it is easy to see that excessive injustice will be done to these persons if we make their apparent incomes, or the gross sums they realize by the exercise of their professions, the basis on which to assess the tax. A and B are lawyers, or engineers, whose training or education has cost the same sum, say 4,000*l.* each. But, while A is decidedly successful, B is less so, the former making 2,000*l.* a year by his business, and the latter only 500*l.* Now, suppose that these incomes are charged 10 per cent. each. In this case A

will have to contribute 200*l.* to the tax, and B 50*l.* Inasmuch, however, as from 200*l.** to 250*l.* of the sum received by each party is not really income, but a partial replacement of the capital he represents, it follows, deducting such sum (say 200*l.*), that the nett or real income of the one is 1,800*l.*, on which he pays a tax of 200*l.*, being at the rate of 11$\frac{1}{9}$ per cent., and that of the other 300*l.*, on which he pays a tax of 50*l.*, being at the rate of 16$\frac{2}{3}$ per cent., showing that the smaller income pays about 5$\frac{1}{2}$ per cent. more than the income of six times its amount! And this, it must be borne in mind, is no extraordinary or hypothetical case. On the contrary, it is merely one of thousands that are of perpetual occurrence, and which are found in all sorts of businesses. Instead of making 500*l.*, B might not have made above 150*l.* or 200*l.*, which would have wholly consisted of returned capital, and not of income.

It has, no doubt, been said that the expenditure upon such persons is a mere investment of capital, and that the consequent income is the return for or interest upon it, and should be dealt with as other ordinary incomes. But, though it be an investment, it is not made in an estate or in a perpetual but in a terminable annuity. The man, or if we may so speak, the self-acting machine, that the capital has been laid out upon, will only last some 10 or 20 years, and provision must be made out of the interim returns for replacing the capital previously to the expiration of such period; and it is not till after this has been done that anything can be set aside as income, properly so called. There can, indeed, be no manner of doubt that large numbers of persons are charged income tax who really have no incomes and are only getting back portions of the sums expended on their training. And yet, as there are no practicable means of discriminating the cost of such training, this injustice, extreme as it is, cannot be got rid of. It is part and parcel of the tax, and will be as lasting as its source.

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* Not the interest of the 4,000*l.*, but the annual sum required to replace it at the death of the parties.

We need not wonder, after the previous statements, that the principal evasions of the tax take place under schedule D, that being the schedule which includes trades and professions, and that it, also, is by far the most unpopular.

The evasions under this head are, in truth, excessive. It is abundantly certain, were the tax fairly assessed and collected, that schedule D would yield a much larger revenue than schedule A, whereas it only yields about two-thirds the produce of the latter. This fact sufficiently corroborates the previous statements in regard to the extreme difficulty, or rather impossibility, of fairly assessing the tax. Setting, as it does, the interest of the contributors in direct opposition to their duty, it is easy to see which will be sacrificed. It may be doubted whether any systematic and vigorous attempt to enforce a more correct and general assessment of the tax under schedule D would add anything considerable to the revenue; but, whether it did or did not, it cannot be doubted, were such an attempt made, that it would give a powerful stimulus to chicane, fraud, and perjury. And it is better to admit inequalities than to endeavour to obviate them at such a cost.

In further illustration of these statements, we subjoin the following classified account of the individuals who were charged and assessed under schedule D, in the year ended 5th April 1861: (For Table see p. 120.)

Now it appears from this table that of 278,723 persons assessed under this schedule, no fewer than 228,724 were charged upon incomes of less than 300*l.* a year, and 150,605 on incomes of less than 150*l.* a year! And can anyone doubt, when direct taxes are imposed on incomes of from 100*l.* to 150*l.*, that every possible effort will be made to evade them? It may, we are well assured, be safely affirmed that the aggregate incomes charged with duty under schedule D in the classes rated below 1,000*l.* or 1,500*l.* a year, do not come up to half their real amount, while many thousands who should pay escape altogether. And yet this portion of the tax gives rise to a great deal of suffering and well-founded complaint. For, though vast numbers succeed in eluding its pressure in whole

A RETURN showing the number of Persons charged to the Income Tax, under Schedule (D), and other particulars (so far as relates to Great Britain), for the year ended 5th April 1861.

CLASSES.	Income on which the Duty is charged.	Number of Persons in each Class.	Amount of Tax charged upon each Class.
	£		£
Under £100 a year - -	1,128,815	17,702	32,923
£100 and under £150 -	13,073,305	132,903	446,288
150 „ 200 -	6,630,423	41,872	276,268
200 „ 300 -	8,072,733	36,247	336,364
300 „ 400 -	5,270,600	16,568	219,608
400 „ 500 -	3,407,738	8,112	141,989
500 „ 600 -	3,136,489	6,066	130,687
600 „ 700 -	2,128,662	3,449	88,694
700 „ 800 -	1,674,291	2,314	69,762
800 „ 900 -	1,596,671	1,946	66,528
900 „ 1,000 -	814,157	889	33,923
1,000 „ 2,000 -	7,688,421	6,020	320,351
2,000 „ 3,000 -	4,044,638	1,761	168,526
3,000 „ 4,000 -	2,902,963	895	120,957
4,000 „ 5,000 -	2,116,221	493	88,176
5,000 „ 10,000 -	5,996,353	897	249,848
10,000 „ 50,000 -	10,094,248	530	420,594
50,000 and upwards - -	5,224,537	59	217,689
	85,001,265	278,723	3,429,175

N.B.—It must be borne in mind that this table does not show the total amount of the incomes of the persons charged under Schedule (D), as they may have incomes charged under other heads; but it shows the total amount which they are said to derive from all the varieties of manufacturing, commercial, and professional employments.

or in part, there are many who, being either more honest or less skilful or successful in their attempts at evasion, feel the full severity of its pressure. The Commissioners of Inland revenue complain, in their second annual report, of the many claims (about 250,000) for exemption from the duty or repayment thereof, and of "the painful appeals that are made to their compassion and forbearance" (p. 28). And these appeals mostly grow out of schedule D, and are, indeed, inseparable from it.

But we must not infer from this statement that the evasion of the tax is practised only by the possessors of the smaller classes of incomes. Any supposition of this sort would be more than ordinarily erroneous. It would be going too far to

say, as some have done, that the desire to escape the tax is universal among the manufacturers and traders who are realizing comparatively large incomes; for many of them are actuated by the highest principle, and would think it as discreditable to evade the payment of a tax as of any other just debt. These, however, it is to be feared, make but a small minority of the order to which they belong; and, speaking generally, the wish to profit at the expense of the revenue would appear to be nearly as prevalent among the rich as among the poorer contributors. We subjoin an extract from the sixth report of the Inland Revenue Commissioners (1861–62), which sets this matter in the clearest light.* The cases specified in it belong to the larger class of incomes; and it is seen that the returns made by the parties seldom amounted to more than a half, and sometimes not nearly so much, of the incomes on which the tax was eventually charged and paid, frequently without appeal! The document is, if not of a satis-

* "We think it our duty (say the commissioners) from time to time to call attention to the deficient returns of profits under schedule D. We have already reported to your Lordships one remarkable case of recent occurrence, where a trading firm having returned "nil" as their profits for the year 1861–62, the surveyor induced the district commissioners to assess them at 12,000*l.*, and upon appeal obtained a close confirmation of his estimate by proof from their own books that the correct charge was rather more than 12,000*l.* as the average of the three preceding years. The penalty of treble duty was inflicted by the district commissioners, and was paid.

"To take another example from a different part of the kingdom:—A.B. some years ago returned 15,000*l.* as his assessable income, but the amount was raised by the commissioners to 20,000*l.*, on which he paid. The following year he made no return, and the assessment of the commissioners was again 20,000*l.*, but the surveyor charged him on 45,000*l.*, the duty on which was paid without appeal. Again, the next year he made no return, and again the charge was raised by the surveyor, who assessed him on 60,000*l.* with the same result as in the former instance.

"3,000*l.* appear to be a favourite amount for assessments. We have before us four cases in which that sum has been accepted for years by the district commissioners as the chargeable income. In the one case, in which the party was assessed on his own return, the surveyor raised the assessment to 8,000*l.*, and in the other to 10,000*l.*, the duty being paid in both without question. From the first case, however, there has been additional profit to the revenue, the party having made a return of upwards of 17,000*l.* for the following year.

"In one place the assessments of a large trading firm having been found greatly

factory, at all events of a very striking character, and shows to what an extent this tax has corrupted the morals of the higher class of tradesmen. Indeed we hesitate not to say, without any fear of being contradicted by any one who knows anything of the matter, that schedule D produces an incomparably greater amount of fraud, evasion, and dissatisfaction than is produced by the entire duties of customs and excise.

2. It has been shown that it is not practicable to devise means for readily ascertaining the incomes of individuals with something like precision; but supposing that it were we should have made no great progress towards the fair assessment of the tax. On one point, indeed, there can be no difficulty. Property-taxes should be laid on all sorts of property, and income-taxes on all sorts of income. But the question immediately occurs, whether should the tax be assessed at the

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inadequate, inquiries were instituted as to the charges under schedule D in the same neighbourhood, and the following were some of the results :—

	£		£
1. Returned	170	Charge fixed on appeal	350
2. Returned	400	Charged by surveyor on Paid without appeal.	1,500
3. No return, assessed at	660	Charge fixed on appeal	1,250
4. No return, assessed at	730	Charged by surveyor on Paid without appeal.	1,000
5. Returned	750	Charge fixed on appeal	1,600
6. Returned	800	Charge fixed on appeal	1,200
7. No return, assessed at	800	Charged by surveyor on Paid without appeal.	2,000
8. No return, assessed at	810	Charged by surveyor on Paid without appeal.	2,000
9. Returned	1,000	Charged by surveyor on Paid without appeal.	3,000
10. No return, assessed at	1,500	Charge fixed on appeal	2,250
11. Returned	1,943	Charge fixed on appeal	2,253
12. No return, assessed at	2,000	Charged by surveyor on Paid without appeal.	3,000
13. Returned	2,200	Charge fixed on appeal	5,000
14. No return, assessed at	4,500	Charged by surveyor on Paid without appeal.	10,000
15. Returned	6,000	Charged by surveyor on Paid without appeal."	10,000

same rate on all sorts of income? And if this question be answered in the negative, we have next to inquire into the principle on which distinctions should be made.

Those who say that an income-tax should be laid equally on all incomes, from whatever sources derived, contend that there is no real hardship in such a proceeding. The incomes of lawyers, physicians, clergymen, and other professional men bear a certain relation to the incomes of landlords, manufacturers, and other capitalists; but if the former were not taxed to the same extent as the latter, their condition would be relatively improved; and it is alleged that there would then be such an influx of new entrants into professional businesses, that their competition would reduce the incomes of those engaged in them to their natural level as compared with the incomes of landlords and capitalists, on whom the full weight of the tax is supposed to fall. On this ground it is contended that the tax should be made to press equally on all incomes, and that there is no injustice in making the same deduction from the fees of a lawyer or physician that is made from the rent of a landlord or the profit of a capitalist; for, supposing the former were partially or wholly exempted from the tax, he would be as much injured by the greater competition that would grow out of such exemption as by being subjected to the full amount of the tax.

But, though in some degree true, these statements are in the main fallacious. Professional fees, when once fixed, are not easily altered. There are rules, and an *etiquette* among the leaders that hinder their reduction. Most great professions are almost always overloaded with crowds of aspirants, who are wholly unable to come into anything like efficient competition with those who are really employed, or to bring about any general reduction in the rate of fees. Notwithstanding the heavy fall of prices and profits after the peace of 1815, the fees of professional men were not sensibly affected, nor were they affected during the previous period of depreciation. It may, indeed, be doubted whether the imposition of a

peculiar tax, were it of moderate amount, on professional incomes, would have any tangible influence over fees. If it were very heavy, it might, in the long run, affect them to a less or greater extent; but its operation would not be in any case immediate; and unless the tax were oppressive, there is but little ground for thinking that it would very materially affect them.

Assuming, however, that it is really true that the earnings of professional or skilled parties consist entirely of real income and not (as has been seen in all cases partially, and in many wholly) of portions of the capital expended in preparing them for their businesses, and assuming farther that it is true that professional incomes vary at the same time and to the same extent as other incomes, this would not justify the laying the same tax on them all: For though a landlord and an attorney or apothecary receives, the one 500*l.* a year of rent, and the other 500*l.* a year of profit by his business, their ability to pay taxes is materially different, inasmuch as the income of the first arises from a comparatively lasting source, whereas that of the latter is dependent on his life and health. Hence, to obviate any injustice that may arise from such difference, and to lay the same equal duty on all varieties of incomes, we must bring them into the same category or class, and treat them in precisely the same way. And as landowners and capitalists holding mortgages and interminable annuities, pay on their incomes considered as perpetuities, so must the holders of perishable property, terminable annuities, &c., with professional persons, tradesmen, &c. This is a matter in which there must be no distinctions. Justice requires that all men, whatever may be their rank, and it further requires that all incomes, whatever may be their source or duration, shall be dealt with alike. To accomplish this we must calculate the *present values* of different incomes, and lay the same tax on such present values; or, which would come to the same thing, we should deduct from the incomes of the holders of terminable annuities, professional men, &c., such portions as would effect an insurance on their lives, for sums equivalent to

the present value of their incomes, and assess the tax on the remainder. This is the only way in which, supposing incomes to be known, it is possible fairly to tax them. It would, however, be extremely difficult to proceed in this way. To illustrate the principle, suppose that a clergyman, A, forty years of age, has an income, (after deducting the sum set aside to accumulate as a fund to defray the outlay upon his bringing up and education,) of 1,000*l.* a year, and that it is required to decide how much he should contribute to a tax of 10 per cent. on all incomes considered as perpetuities. Here we are met at the outset by the difficulty of deciding by what standard we should estimate A's expectation of life. If we take the Northampton table, we shall obtain a certain result, if we take the Carlisle table we shall have another, and if we take Mr. Finlaison's table we shall have a third result, all differing considerably from each other. But suppose that the Carlisle table is selected, A's expectation will be 27·61 years. Having got thus far, we have next to decide upon the rate of interest at which the present value of A's annuity or income is to be estimated. Everybody knows that the answer to the question which we are endeavouring to solve depends materially on the assumed rate of interest; and it might be difficult to fix on one rate rather than another. In the event, however, of 4 per cent. being selected, the present value of A's income would be 16,500*l.*, yielding a perpetual revenue of 660*l.*; so that he should contribute 66*l.* to the tax.

This is the way in which taxes on income should be assessed, if they are to be imposed with any pretensions to fairness. It may be objected, perhaps, that the fundamental supposition on which the income is valued and the tax imposed, viz., that A, being at present forty years of age, will live other twenty-seven years and a half is quite gratuitous; that it is merely an average rule deduced from observations made on a large number of individuals; and that, for anything we can affirm to the contrary, A may die to-morrow. But all this may be admitted without impeaching the principle laid down above; for the

difference between A's actual income of 1,000*l.* and the corresponding perennial income of 660*l.*, that is, 340*l.*, will, if accumulated for twenty-seven years and a half, at 4 per cent., produce 16,500*l.*, and an insurance office would transact with A on this footing, or on one not very different.

These statements show how taxes on professional incomes should be imposed, if it were meant to render the tax really equal. And they also show how very difficult, or rather how impossible, it would be fairly to assess such incomes, even if there were any means of learning their amount with anything like precision. It is to no purpose to talk about establishing uniform rates of deduction. Unless wholesale injustice is to be perpetrated, uniformity in cases of this sort must be rejected. Each must be judged separately. The income of two lawyers may be the same, but if their ages or their health differ, they cannot be fairly taxed to the same extent; nor, when interest is 4 per cent., should the tax be the same as when it is 3 or 5 per cent. And how are we to measure the sums to be deducted from the incomes of the parties, and accumulated as a fund to replace the outlays upon them?*

To countervail the discouragement given by the income-tax to the making a provision for ones children and successors, it was enacted in 1853 (16 & 17 Vict. cap. 34. § 54.), that individuals insuring their own lives, or those of their wives, shall be entitled to a drawback of the tax on the sums expended on such insurance, provided they do not exceed a sixth part of the incomes of the insurers. But though this be in some respects a laudable provision, it is at the same time open to serious objection. It is difficult to discover any good reason why the concession should be made only in favour of sums insured. This is merely one of many modes in which savings may be invested, and it is by no means clear that it is the best mode. In some cases, indeed, it is plainly the reverse. If a tradesman or other person has a profitable business, by the

* That is, in the language of engineers, to replace the old machines when they are worn out and have become useless.

extension of which he thinks he may provide for his family, or if he try to effect the same object by investing in lands or houses, in the funds, in shares in public companies, and so forth, why should government attempt to bias his judgment by offering him a bonus if he effect an insurance? It is not easy to vindicate a preference of this sort; and yet it might be difficult to make sure in any other way that the sums exempted from the tax were accumulated and made available for the purposes contemplated in the Act. We do not know whether the difficulty now alluded to be really insurmountable. But so long as the privilege now referred to is available only under the existing limitations and regulations, it really aggravates the inequalities of the tax. The boon which it confers is confined to a few only, and cannot be enjoyed except under conditions which in many, or rather in most, instances it may be expedient to reject.

It was proposed, during the discussions when the present income-tax was first brought forward, to charge incomes derived from terminable annuities in the public funds proportionally to the duration of such annuities. And, abstractly considered, nothing could be fairer than this proposal; for, in the first place, a very considerable portion of the incomes or annuities referred to, consists of capital returned to the parties which ought to be exempted from the tax; and, in the second place, it is palpably unjust to lay the same rate of duty on an income that will terminate in five or ten years, as on one that will last for fifty or sixty years, or is perpetual. One parcel of sugar may be worth 6*d.* per lb., another 8*d.*, and another 10*d.* or 1*s.* per do.; but who would think of subjecting them all to the same amount of duty per lb.? And differences of origin and duration have the same influence over incomes that differences of quality have over commodities. They render them, even when of equal amount, of very unequal value. We have shown that to assess them fairly they must be reduced to the *same denomination*, and their present values being ascertained, the revenues thence arising, considered as perpetuities, are those

on which the tax should be charged. Every other plan involves more or less of injustice.

But, had this proposal been entertained, the principle must have been carried infinitely farther. Clergymen, officers in the army and navy, clerks of all descriptions, whether in public or private offices, widows with annuities, owners of entailed estates, and a host of others, are, equally with lawyers and physicians, dependent on life annuities. Although, therefore, it be clearly unjust to lay the same rate of duty on a terminable as on an interminable funded income, it would be still more unjust to make abatements in favour of one class of annuitants and not of others. Hence it would seem that Sir Robert Peel did right in rejecting the proposal alluded to. He felt that practically it would be impossible fairly to carry out the principle which it embodied; and that it was better to make all who were placed under similar circumstances suffer alike, than to make concessions in favour of a single class that had no better right to them than others.

To get rid of the difficulties that would have to be encountered in assessing an income-tax on the incomes of farmers and other occupiers of lands, tenements, and so forth, it is usual to assume that the farmer's income amounts to some portion or multiple of his rent, and to assess him accordingly. Thus, under the old income-tax, the incomes of the tenants of land in England were supposed to amount to three-fourths, and in Scotland to half the rent; and under the existing tax the incomes of the tenants in England are taken at a half, and in Scotland at a third part of the rent. Hence, under the present law, the occupier of a farm rented at 1,000*l.* a year is supposed in England to have an income of 500*l.*, and in Scotland, of 333*l.* 6*s.* 8*d.* a year, and is taxed on such. This was, perhaps, on the whole, the best plan that could be devised for assessing such incomes, and yet it sometimes led to consequences that were not a little revolting. Farming, like other businesses, and, indeed, in a still greater degree than many others, is exposed to vicissitudes; and it may be safely laid down that at all times a considerable number of the occupiers of land

are losing by their business. But the tax making no exception in favour of such unfortunate cases, swept with undistinguishing severity its equal, or rather most unequal, demands from all. This injustice, however, was too glaring to be persevered in; and it has been obviated by permitting a farmer who has been overtaxed to claim a corresponding deduction. But, on this principle, farmers who are undertaxed should be surcharged. And if so, why make rent a criterion of income? and why not place farmers on the same footing as the other classes? *

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* The subjoined statements show the vexatious annoyances to which landlords and tenants may be exposed in the assessment of the tax, particularly when the officers happen to be a little more than usually active :—

RETURN of the Number of Appeals against the last Assessment to the Income Tax heard by the Commissioners for each of the Three Divisions of Northampton, Wellingborough, and Kettering, Co. Northampton, under each of the Schedules, A, B, D; showing the Number of Cases in which the Surveyor's Charges were confirmed, reduced, or wholly discharged.

DIVISIONS.	Number of Appeals against Surveyor's Charges.			Surveyor's Charges Confirmed.			Surveyor's Charges Reduced.			Surveyor's Charges wholly Discharged.		
	A.	B.	D.	A.	B.	D.	A.	B.	D.	A.	B.	D.
Northampton -	126	88	17	27	20	3	48	25	9	51	43	5
Wellingborough	209	82	–	84	33	–	101	25	–	24	24	–
Kettering -	272	185	–	38	14	–	92	46	–	142	125	–

Note.—In addition to the appeals stated in the above return against the surveyor's charges, there were numerous appeals against assessments made upon the appellants' own returns, and against assessments made by the parochial assessors and additional commissioners of the district.

DECLARATION of TAX PAYERS of the Northern Division of Co. Northampton.

WE, whose names are hereunto affixed, beg to express our surprise at, and condemnation of, the arbitrary manner in which our returns, made under the requirements of the Property and Income Tax Acts, have been surcharged, whereby in many instances agricultural tenants have been necessitated either to pay tax on a much higher rental than they pay to their landlords (or than their land will bear), or to appeal against their assessment, at great loss of time, inconvenience, and expense, &c.

Signed by WILLIAM LAW, Rector of Marston Trussel, and 117 other Tax-payers.

Parl. Paper, No. 172, *Sess.* 1862.

Owing to the practice of remitting or drawing back the duties laid on commodities consumed at home, when they are sent abroad, absentees get their revenues transmitted to them free from taxation, and consequently avoid contributing their fair share of the public expenditure. Some stress has been laid, but without much reason, on the supposed influence of an income-tax in obviating this inconvenience. Except in so far as absentees escape the taxes which they would have to defray were they resident at home, their absence is immaterial; and, considering the fewness of the taxes in question, and the small proportion which the revenues of absentees bear to the revenues of the resident population, there are no grounds for thinking that the burdens of the latter are sensibly increased by the absence of the former. But, when an income-tax of any considerable magnitude is imposed, if it lessen, on the one hand, the temptations which operate on certain classes to go abroad, it must, on the other hand, act as a new stimulus to the investment of capital in the colonies and in foreign countries, where it may escape the tax and the investigations connected with its assessment. Surely, however, it can hardly be necessary to say that, while the residence abroad of individuals is little if at all injurious, the transference of capital to other countries is a most serious evil. And any measure which should discourage the former, by stimulating the latter, would be like stopping up the spigot that the bung-hole might be opened.

Taxes on income are also in other respects exceedingly objectionable. They require a constant interference with, and inquiry into the affairs of individuals, so that, independent of their inequality, they keep up a perpetual feeling of irritation. And while these investigations can never be made effectual to their object, they are not of a description that are easily justified. They intrude on forbidden ground; and call upon upon people to disclose that which they are for the most part anxious to conceal. What right has the public to know the means or resources of those who make no claim on it for

support? Why compel those who strive by rigid economy to make a decent appearance to declare their condition? to expose themselves to the *magnum pauperies opprobrium?* Such inquiries and disclosures are always hateful (whether reasonably or not is immaterial) to the parties. They have about them some of the worst characteristics of a system of petty tyranny; and would not be truly answered even though they were not to be made the foundation of an oppressive tax. Nothing short of a conviction of their necessity will ever render them in any degree tolerable. And this has been long wanting; a belief, bottomed on what seem to be solid grounds, being generally entertained that they are entirely uncalled for, and that the revenue might be raised without having recourse to an income tax.

But, then, it is alleged that the difficulty of taxing the incomes of professional men, and of the other classes alluded to above, is a good reason for exempting them from the tax, which should fall only on the incomes of those possessed of real property. We take leave, however, to dissent entirely from this conclusion. The difficulty of assessing the incomes in question may be a sufficient reason for rejecting an income-tax altogether; but it is no reason for making it avowedly partial and unjust. Professional men, and annuitants of all descriptions, contribute to taxes on commodities. And if the latter be repealed, and an income-tax from which professional and other terminable incomes are exempted be imposed in their stead, an obvious injustice will be done to the other portions of the community, who will be saddled with the whole of a burden of which they have hitherto borne a part only, and which should press equally on all ranks and orders It is plain, however, in this as in other cases, that, were the classes alluded to exempted from the tax because of the admitted impossibility of fairly assessing their incomes, vast numbers of incomes derived from real property would have equal claims to be exempted, because of their being quite as evanescent as those of clergymen or lawyers, and as difficult to assess. It is

needless to say that no proposal for exempting the owners of cotton, woollen, or flax mills, railways, breweries, distilleries, ships, warehouses, ironworks, &c., from taxes laid on the property or incomes of landlords, fundholders, mortgagers, &c., would be tolerated or thought of for a moment. But we have seen that, in fairly assessing the incomes of millowners, shipowners, &c., most part of the difficulties would have to be encountered that make the fair taxing of professional incomes so impracticable, with others peculiar to the cases in question. In further illustration of this statement, we may observe that an estate, apart from the buildings and improvements made upon it, may be regarded as a lasting source of revenue; and if A expend 20,000*l.* in the purchase of land, on which few or no perishable outlays have been made, it will yield him a perennial income, supposing interest to be 4 per cent., of 800*l.* a year. In the event, however, of B expending, at the same time, an equal sum in the purchase of mills, ships, or other property fitted only to last twenty years, it would yield him a gross income of 1,473*l.* a year, viz., 800*l.* of nett profit, and 673*l.* to accumulate at 4 per cent., compound interest, to replace his capital at the expiration of the twenty years. Now in this case it is plain, should a tax (say) of 5 per cent. be imposed on apparent incomes, that A would have to pay 40*l.* a year, and B 73*l.* 13*s.*; for, while you tax only the nett income of the one party, you tax the gross income of the other, a large portion of which consists of repaid capital. The inequality is such, that notwithstanding the ability of the parties subject to the tax is exactly the same, the one would be made to pay nearly twice as much as the other. And this, as we have seen, is the case in a greater or less degree with the holders of perishable property, terminable annuities, and professional people, as compared with the holders of non-perishable property and interminable annuities.

Hence, before ships, houses, railways, factories, and other perishable property can be taxed in the same ratio as permanent property, the durability of the former must be determined, and the income arising from them reduced to a perpetuity.

Suppose, for example, that a tax is imposed on revenue arising rom lands, perpetual annuities, and mortgages, and that it is required to lay a really equivalent tax on income arising from houses, shops, warehouses, mills, ships, canals, and so forth. In this case we should have to begin by estimating the gross annual income, which is to be taxed, produced by the shop, mill, ship, or other property. Having done this, we should next have to estimate the probable duration of such property; and then, in order to get the nett or taxable income, we should have to deduct from the gross income such a sum as would suffice, being accumulated at the ordinary interest of the day, to replace the shop, mill, &c., when it is worn out. An income-tax, imposed on fair principles, and made to press with the same severity on all classes, according to their ability to bear it, must be assessed in the way now mentioned. But the difficulties which oppose this being done are obviously nsurmountable. There would evidently be great room for doubt, evasion, and fraud in the valuation of the property; and though this were got over, how is its probable duration to be ascertained? The power to determine a point of this sort could not be intrusted to officers; for if so, it would open a door to every sort of abuse. Neither is there any standard to which to refer in estimating durability, seeing that it must vary in every case from a thousand peculiar and almost inappreciable circumstances. Recourse would have to be had, as is sometimes the case in rating property to be assessed to the poor, to average rates of deduction, which will not be right in one case in ten, and then only by the merest accident. Although, therefore, it were conceded that taxes on income are, in principle, the best of any, the foregoing statements are more than sufficient to show that this circumstance should go for little in the way of recommending them. It is of trifling consequence whether a tax be theoretically good or bad. It is in a practical point of view only that we have to deal with it. And however well it may look when delineated on paper, if it be impossible fairly to assess it, it should, unless in very peculiar cases, be rejected.

Even as applied to the rent of land, an income-tax is in most instances extremely unfair. Two estates yield the same rent, the one being naturally fine, and the other inferior, but highly improved, land. Hence, while the rent of the former consists almost entirely of a return for the inherent and perennial powers of the soil, two-thirds or three-fourths of the rent of the latter consist partly of a profit on the capital laid out upon it, and partly, and perhaps principally, of a portion of that capital which requires to be perpetually renewed. The landlord of the one may, in truth, be said to be the proprietor of an interminable annuity, whereas the landlord of the other is, in great measure, only the proprietor of an annuity that is speedily terminable. And hence the undeniable injustice of laying the same tax on the rent of an improved as on that of an unimproved estate. And yet, as was formerly stated, we can do nothing else. A rough estimate might be made of the sum that should be deducted for houses. But their cost often bears but a trifling proportion to the cost incurred on account of draining, fencing, manuring, trenching, and otherwise improving farms, of which it is impossible to estimate the amount.

It may further be observed, in illustration of the insurmountable difficulties in the way of fairly assessing an income-tax, that the incomes of capitalists engaged in business, whether they be agriculturists, manufacturers, or merchants, are derived from two distinct sources; one being the return to or profit on the capital they employ, and the other a compensation for their personal superintendence, skill, and industry. The former portion of their income, or that which is a return to the capital employed, may, in the event of a sum being set aside to repair its waste, be looked upon as perennial; but the other portion, or the return for superintendence, &c., is plainly only a life income, and comes under precisely the same category as the incomes of professional men. And hence, if we would fairly assess the incomes of parties engaged in industrial undertakings, we must resolve them into their constituent portions, and deal with the one, under the above indispensable

condition, as with a perpetual, and with the other as with a terminable annuity. But it is needless to add that no such distinction can be made. An agriculturist or manufacturer makes a certain sum in one year, and a certain sum in another; but it is quite impossible either for him or for any one else to say how much of this is due to his sagacity and skill in the conduct of his business. And hence the impossibility of fairly taxing such incomes. Though derived from widely different sources, they must practically be regarded as originating in one only, and be dealt with accordingly. This is an unjust mode of proceeding; but the evils thence resulting are probably inferior to those that would result from attempting to assess the duty on correct principles.

It has sometimes been proposed by those who have brought forward proposals for the amendment of the income-tax to charge the incomes included in schedule D * with only two-thirds the rate charged on those included in schedule A. † But the foregoing statements have conclusively shown that a large portion of the incomes assessed under the latter schedule are quite as evanescent as those assessed under schedule D, and are, therefore, quite as much entitled to be charged at a reduced rate. This circumstance is decisive of the question; but apart from it, the evasion of the tax effected under schedule D is so very great, that practically those charged under it already enjoy, taking them collectively, a great deal more than the remission claimed for them. To grant them any further remission would not redress, but aggravate, the injustice and the inequality of the tax.

We are sometimes told that if the income-tax be maintained, it will gradually become less offensive and less objectionable; and if by this be meant that the public, by becoming more and more habituated to the fraud and injustice that are

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* Profits of trade, professional income, &c.

† Rent of lands, houses, and other fixed property.

inseparable from it, will care less about them, the statement may, perhaps, be in some measure true, but otherwise it is, we apprehend, quite unfounded. The great majority of those who either are or ought to be among its contributors will never cease to endeavour, by every means in their power, to defeat its enactments. The schedule D of 1870 or 1880, supposing the tax to last so long, will be as much under the proportion which it should bear to schedules A, C, and E as it is at this moment. If the procedure for its fair assessment be improved, so will the stratagems and devices of those whose object is to make that impracticable, and in a contest of this sort the latter are pretty sure to succeed.

We have seen that it is all but impossible to arrive at a knowledge of the gross amounts of many varieties of income; that, to assess the tax fairly on the greater number of these varieties, this knowledge, supposing it were attained, would not be enough; and that it would be farther necessary to resolve their gross amounts into their constituent parts, and separate from their taxable portions those which serve to replace capital. If A vest a sum in Consols or mortgages, there is no wear and tear of capital, and the dividend, or interest, which it produces is really income. But if B vest an equal sum in a ship, a mill, in professional education, or in some such way that it will be exhausted in some 10, 12, or 20 years, a large portion of the annual return which it yields is not income properly so called, but a partial payment to repair he waste of that capital which constitutes his estate, and to tax this portion of the return as if it were so much income is a proceeding which it is impossible to vindicate.

It is, however, true that some part of the injustice which is occasioned by the imposition of an income-tax, and by tampering with it after it has been imposed, would be gradually obviated were it made perpetual and invariable; for, were such the case, the greater pressure of the tax on terminable or partially terminable incomes would be taken into account in the employment of capital and in the choice of businesses and professions. Still, however, it is sufficiently obvious that a

prodigious amount of injustice must necessarily exist under a perpetual income-tax. All prospective estimates and calculations in regard to the investment of capital, whether in businesses or in the education and training of individuals, though framed with the greatest care and caution, are liable to be overthrown or modified by thousands of unforeseen circumstances; and practically it is found that, while a few turn out to be greatly more, vast numbers prove to be far less advantageous than was expected. When such is the case, it is plain that *à priori* attempts to defeat the influence of the tax can have very little effect. And, how ancient soever, a tax which deals with incomes derived from investments of all sorts, as if they were universally of the same character and duration, must very often be in the last degree unequal; for, though in some cases it will wholly fall on income, in others, and those unluckily not of rare occurrence, there is really no income, properly so called, to assess, so that the tax must wholly fall on capital.

It must not, however, be supposed that no distinction is ever made in dealing with the income-tax, between the portion of a return that is really income, and that which is a replacement of capital. This distinction is frequently made, but with little or no regard to principle. Great numbers of those who are engaged in various businesses in which capital is largely employed take especial care, in returning their incomes, to deduct a sum from their amount, which is more than sufficient to repair the waste of capital. This, indeed, is one of the favourite methods resorted to by those who wish to evade the fair pressure of the tax, that is, by the great majority of those on whom it is assessed. But, though available to many, there are large classes that are unable to profit by this device. This is, among many others, the case with all individuals in the service of the public, from whom the full amount of the tax is deducted; it is also the case with the shareholders in great joint-stock companies, whether successful or not, who receive their dividends minus the tax;

with the occupiers of land who are assessed on the rent which they pay; and it is almost universally the case with the incomes of professional people. The latter consist in great part of a return, which is in many cases very inadequate, for the sums expended in fitting them out for the discharge of their functions; and yet there are not many instances in which an abatement either is, or can be, made from their gross incomes on this account.

If to these exceptional cases we add the innumerable miscalculations and false estimates affecting the investment of capital and the choice of businesses that are perpetually being made, and the changes that are sure to recur every now and then in the amount and incidence of the tax, we are warranted in affirming that it is contradictory and absurd to expect that its defects will be materially obviated by its becoming older. They are of its essence. Its incapacity of all real amendment is one of its distinguishing characteristics. Some of its more offensive features would be softened were it possible to reduce all incomes to perpetuities, and assess them accordingly. But it is not possible to do this. It would be easier indeed to wash the Ethiopian white, than to make the tax fair and equitable. The obstacles that hinder this being done are not of a kind that can be either removed or materially diminished. Nothing therefore remains but to reject it, or to resort to it only when money must be had at all hazards; when the ordinary and less exceptionable means of filling the public coffers have been tried and exhausted; and when, as during the late great war, Hannibal is knocking at your gates, and national independence must be secured at whatever cost. An unreasoning necessity of this sort is the only satisfactory justification of taxes on property and income.

It may be well to inquire if a considerable income-tax be maintained during peace, how the expenditure of a war is to be provided for? A contest with any great power might have such an injurious effect on our trade and industry as to

make it neither advisable, nor, perhaps, practicable to raise any considerable amount of revenue by increased customs or excise duties. And if, under such circumstances, the resource of an income-tax were either to a considerable extent, or wholly, forestalled, we might be compelled to depend in great measure on loans, or on some even more ruinous expedient. Hence the advantage of reserving taxes on income as a resource to be made use of in seasons of difficulty and danger. They are then in their proper place. The exigency of the crisis makes their inequality and oppressiveness be overlooked, or submitted to with little murmuring from the consciousness of their being indispensable. To anticipate a reserve of this sort is extremely bad husbandry, being of a piece with the *post obit* bonds of spendthrifts and prodigals. Those who exhaust an income-tax in seasons of tranquillity deprive themselves, when they are especially wanted, of the services of a most powerful engine, whether for defence or offence.

It should also be borne in mind that the income-tax being at once productive and easily increased, is not more hostile to the morals of the contributors than it is to economy on the part of their rulers. This was forcibly stated by Mr. Gladstone in his speech in the House of Commons on the 13th May 1858: "I believe," said the right hon. gentleman, "that it (the income-tax) does more than any other tax to demoralize and corrupt the people. . . . . So long as you consent, without a special purpose, to levy the income-tax as a part of the ordinary and permanent revenue of the country, so long it will be vain to talk of economy and effective reduction of expenditure. It is a source so productive, an engine so convenient, it is so easy to lay on 1*d.* or 2*d.* at a time,* that while you have the income-tax a part of your ordinary revenue, you need not think of effective and extensive economy."

* More especially, Mr. G. might have added, as the tax is not assessed upon or directly affects a large portion of the electoral body.

When, however, the circumstances of a country are either such, or supposed to be such, as to require the imposition of an income-tax, some point must be fixed for its commencement. It should, certainly, were the justice of the case only attended to, be assessed on all incomes whether great or small. But were it imposed on this fair principle, it would really be, in as far as the labouring classes are concerned, a tax on wages; and we have previously seen that there are very few, if any, cases in which it would be wise to impose a direct tax on them, or possible to collect it. Admitting, however, that the wages of ordinary labour should be exempted from the tax, the difficulty is to specify the limit where it should begin to take effect, and whether it should be charged indifferently on all incomes from the same point. The old income-tax, as remodelled in 1806, fell with its full weight on all incomes, whatever might be their amount, derived from fixed or funded property. Professional incomes under 50*l.* were, however, exempted from the tax; and when between 50*l.* and 150*l.* they were entitled to certain abatements. Under the existing income-tax the assessment on all sorts of incomes begins at 100*l.* a year; and this, perhaps, is as good a limit as could be selected. To nothing, indeed, is it so much indebted for its comparatively easy working as to the *minimum* taxable income being fixed at 100*l.* This exempts from its operation vast numbers of persons, comprising those most sensible to its pressure, and least familiar with the methods of getting any over-assessment rectified; and has, in consequence, prevented it from becoming a topic for popular declamation and invective.

The question—where shall the assessment begin?—is, however, one encumbered with difficulties. Any attempt to tax all incomes, how limited soever, would certainly miscarry; while, if you once begin to make exemptions, it is impossible to say where you ought, or will be permitted, to stop. On what ground are incomes between 50*l.* and 100*l.* exempted from the tax? It is quite conceivable that persons with less than 100*l.* a year should be, and in point of fact they not unfrequently are,

better able to pay taxes than parties with that or even a greater sum. Neither can any conclusive reason be assigned for fixing upon 100*l.* in preference to 150*l.* or 200*l.* for the commencement of the tax; or for charging incomes between 100*l.* and 150*l.* at a reduced rate.

The income exempted from the tax, whatever it may be, should be held to be indispensable for subsistence, for otherwise there is not so much as the shadow of a pretence for its being exempted. And consistently with this principle it was proposed, during the debates in 1842, to deduct 150*l.*, the sum assumed in the Act as the minimum of necessary income, from all incomes subject to the tax, and to assess it on the surplus only; so that a person with an income of 160*l.* would, had this proposal been adopted, have been assessed on 10*l.* only, a person with an income of 300*l.* on 150*l.*, and so on. We regret that this equitable proposal was not agreed to. It was, perhaps, the only one of the numerous amendments offered at the time, the adoption of which would have materially improved the Act. No doubt it would have rendered the tax less productive; but to obviate this the point of commencement might have been fixed at a lower limit, or the rate might have been increased a little, or both these means might have been resorted to. A measure of this sort would have placed all classes on the same footing, and would in all cases have exempted what the statute presumes to be necessary income from the tax.

The difficulty of distinguishing between those who should and those who should not be charged, is another inconvenience attending taxes on property and income, unless they be made to fall with their full weight on every one. Thus, under the existing tax, the assessors, having no means of learning whether many individuals have more or less than 100*l.* a year, must, to make sure that the tax is not evaded by those who should pay it, serve notices on a great number of parties not liable to the assessment, who, in consequence, must either establish the meanness of their circumstances to the satisfaction

of the commissioners, or submit to pay the tax! In the case of funded property, the tax on all dividends, whatever their amount, is deducted, it being left to those who are not worth 100*l.* a year to prove the fact before they are entitled to claim restitution of the sum deducted on account of the tax.* This is obviously no small grievance; and many persons pay the tax who should be exempted rather than encounter the trouble and expose themselves to the questions they would have to answer in substantiating their claim to be exempted. And yet this, like the other grievances that grow out of the tax, cannot be obviated. No one doubts the impracticability of assessing a tax of this sort on the poorer classes; some point must be specified where it is to begin; so that the difficulty of distinguishing between those who are, and those who are not liable to its operation may be truly said to be inherent in it.

It has been frequently contended that taxes on income should be imposed, as is the practice in some countries,† on

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* The subjoined official return shows the extent to which this grievance operates:—

A RETURN, showing the Number of Claims of Exemption under the Property Tax Act, received at the Tax Office, during the year 1850; the Number on which the Duty has been repaid; the Amount of Duty repaid; and the Number of Claims on which Orders have been issued by the Board of Taxes for discharging the Property of the Claimants from Assessment.

—	Number of Claims received.	Number of Orders of Repayment issued.	Amount of Duty repaid.	Number of Discharges.
			£ s. d.	
General claims -	75,992	55,550	64,002 1 11	{ 899 (*a*) 7,927 (*b*)
Charity claims -	7,674	2,148	31,194 9 6	842
Total - -	83,666	57,698	95,196 11 5	*9,668

† In Austria, Prussia, and other German States, taxes have been imposed of late years, and especially since 1848, on the incomes of the manufacturing, commercial, and professional classes. They are intended to balance the land taxes

a graduated scale, and made to increase according to the increase of the incomes on which they are charged. The countenance which has been so readily given to proposals for the introduction of property and income taxes by ultra democratical politicians, has been said to originate in their supposing that they might be made to embrace a plan of graduation. And though in the last degree objectionable, it must be admitted that there is something exceedingly plausible in this plan. The question, we are told, is not what a man has, but what can he spare? A tax of 10*l.* is said to be more severely felt by the possessor of an income of 100*l.*, or of a property of that amount, than a tax of 100*l.*, or 1,000*l.*, by the possessor of an income or of a property of 1,000*l.* or 10,000*l.*; and it is argued that, in order fairly to proportion the tax to the ability of the contributors, such a graduated scale of duty should be adopted as should press lightly on the smaller class of properties and incomes, and increase according as they become larger and more able to bear taxation. We take leave, however, to protest against this proposal, which is not more seductive than it is unjust and dangerous. This is not a matter for the exercise of judgment or discretion, for that would be introducing uncertainty where certainty is indispensable, partiality and preference where there ought to be no room, except for the most rigid impartiality. No tax on income can be a just tax unless it leave individuals in the same relative condition in which it found them. It must of course depress, according to its magnitude, all on whom it falls; and it should fall on every one in proportion to the

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paid by the agriculturists, and are assessed in a great variety of ways. Most commonly, perhaps, the contributors are divided into classes, according to the ascertained or supposed magnitude of their incomes, and are charged with certain rates on the same. These are frequently progressive in their amounts; but there is but little risk, unless their Governments become much more popular than at present, that this vicious principle will be abused. The work of M. Esquirou de Parieu, entitled "Histoire des Impôts Généraux sur la Propriété et le Revenu," contains a great deal of valuable information in regard to these taxes.

revenue which he enjoys under the protection of the state.* If it act otherwise, government, in imposing it, has stepped out of its proper province, and has assessed the tax, not for the legitimate and sole purpose of appropriating a certain proportion of the revenues of its subjects to its own use, but that it might, at the same time, modify their relative situation by making the tax press with its full weight on the incomes of one class, while it either does not touch, or presses lightly and partially, on those of other and larger classes. The toleration of such a plan of assessment would be a precedent that would justify any interference with the best established rights. If a tax on income be just and reasonable, it should press equally on all classes; and if it be (as it is) unjust and oppressive, it should be repealed, and resorted to only in cases of necessity. There is no middle course consistent with honesty and fair dealing. That equal taxes on property or income will be more severely felt by the poor than by the rich is, no doubt, undeniable. But is it not equally undeniable that the same thing may be said of all payments made by the former, whether for food, clothes, or anything else? The hardship in question, if such it really be, originates in that inequality of fortune and condition that makes a part of the order of Providence. And to attempt to alleviate it by making a factitious distribution of the national burdens, would be a violent and unjustifiable interference with the natural constitution of society, which never can be interfered with except to the public injury.

Let it not be supposed that the principle of graduation may be carried to a certain extent, and then stopped.

> "Nullus semel ore receptus
> Pollutas patitur sanguis mansuescere fauces."

The fair presumption is that the reasons that made the step be taken in the first instance, backed as they are sure to be by

* That is, of course, supposing all revenues reduced to the same denomination or to perpetuities.

agitation and clamour, will impel you forwards. Having once given way, having said that a man with 100*l.* a year shall pay 1 per cent., another with 500*l.* 5 per cent., and another with 1,000*l.* 10 per cent., on what pretence or principle can you stop in your ascending scale? Why not take 50 or 60 per cent. from the man of 2,000*l.* a year? or confiscate all the higher class of incomes before you tax the lower? In such matters the maxim of *obsta principiis* should be firmly adhered to by every prudent and honest statesman. Graduation is not an evil to be paltered with. Adopt it, and you will effectually paralyse industry and check accumulation; at the same time that every man who has any property will hasten, by carrying it out of the country, to protect it from confiscation. The savages described by Montesquieu, who to get at the fruit cut down the tree, are about as good financiers as the advocates of this sort of taxes. Wherever they are introduced security is necessarily at an end. Even if taxes on income were otherwise the most unexceptionable, the adoption of the principle of graduation would make them among the very worst that could be devised. The moment you abandon, in the framing of such taxes, the cardinal principle of exacting from all individuals the same proportion of their income or their property, you are at sea without rudder or compass, and there is no amount of injustice and folly you may not commit.

It may be further observed of the income-tax, that it may be rendered, or rather it is become, a powerful political engine. The parties exempted from the tax, because they have less than 100*l.* a year, with those exempted from the house tax, form a very large portion of the electors of the United Kingdom. And it is useless to dwell on the inexpediency of those in whom the power of taxation is really vested being permitted to relieve themselves from burdens which they may impose at pleasure on others. It will be rather extraordinary if they do not abuse so unconstitutional a power. Can it be supposed, when the repre-

sentatives of such parties come to deal with questions of direct and indirect taxation, or of substituting one duty for another, that they will consider them only on purely scientific or public grounds? Those who are able to shift a burden off their own shoulders on to those of their neighbours have seldom much difficulty in finding reasons, sufficient in their opinion, to vindicate their conduct in so doing. This, giving to those who have little or nothing the power to lay taxes on the richer portions of the community, is, in truth, one of the principal drawbacks incident to a popular system of government. It may, indeed, be doubted whether a low franchise be consistent either with the well-being, or even with the permanence of a society in which the gradations of fortune are so various and extensive as in England.

To furnish means for defraying the cost of the war begun in 1793, Mr. Pitt proposed, in 1797, to treble the assessed taxes, or duties on houses, windows, horses, carriages, &c. This plan did not, however, answer the expectations of its projectors, and next year it was abandoned, and a tax on income substituted in its stead. According to the provisions of the Act imposing this tax, all incomes of less than 60*l.* a year were exempted from assessment; an income of from 60*l.* to 65*l.* was taxed one *one hundred and twentieth* part; and the rate of duty increased through a variety of gradations, until the income reached 200*l.* or upwards, when it amounted to a *tenth* part, which was its utmost limit; a variety of deductions being at the same time granted, on account of children, &c. The commissioners to whom the assessment of this tax was intrusted were chosen by the freeholders of counties and the electors of boroughs, nearly in the same way as their representatives in parliament, only that a smaller qualification was sufficient to enable any one to be elected a commissioner. The services of the commissioners were gratuitous, and they were sworn to secrecy with respect to the affairs of individuals. They were authorized to call for returns

from every person whose income they supposed to exceed 60*l.* a year; and in the event of their being dissatisfied with these returns, they were empowered to call for written explanations, and ultimately for the oath of the party. But this examination was rarely necessary, except in the case of incomes derived from wages, from capital employed in manufacturing and commercial business, or from the interest of loans; the rental of landlords being, in most cases, learned from the terms of the agreements with their tenants, while the profits or incomes of the latter were, as already stated, estimated in England at *three-fourths*, and in Scotland at *half* the rent. The commissioners were assisted, or rather overlooked, by the tax-surveyors appointed by government, who were required to see the provisions of the Act strictly enforced, and whose duty it was to scrutinize all returns of income, to challenge such as they considered fraudulent, to object to the deductions allowed by the ordinary commissioners, and to bring the matter under the review of the commissioners of appeal, whose sentence was final. Infinite fraud and evasion were practised, and nothing could be more arbitrary than the rule for estimating farmers' incomes. But the exigencies of the country at the time made this and its other defects be little thought of; and, on the whole, the provisions of the Act were enforced better than could have been anticipated.

This tax was repealed in 1802, after the peace of Amiens, having produced, at an average, about *five millions and a half* annually.

In 1803 the income-tax, under the name of property-tax, was again revived. The assessment began, as before, on incomes as low as 60*l.* a year, and gradually increased until the income reached 150*l.* a year, when it amounted to 5 per cent., which was its highest rate. An addition was made to this tax in 1805; and in 1806, during the short-lived administration of Mr. Fox and Lord Grenville, the assessment was raised to 10 per cent. on all incomes, however small, arising from land or capital. Professional incomes under 50*l.* were

exempted from the tax; and incomes of that sort exceeding 50*l.* and under 150*l.*, the limit at which they became subject to the full assessment of 10 per cent., were allowed deductions, varying inversely as their magnitude. This tax was finally repealed in 1816, and would hardly have been submitted to, but for the well-founded conviction that it was indispensable for carrying on the desperate struggle in which we were then engaged.

We subjoin from a parliamentary paper a return of the total *gross* and *nett* assessments to the property or income-tax, for the year ending 5th of April 1815 :—

	Gross Assessment.	Nett Assessment.
A. Lands, tenements, hereditaments, or heritages	£5,923,486	£5,923,189
B. Houses, lands, and tenements	2,734,451	2,176,228
C. Funded and stock properties	2,885,505	2,885,505
D. Profits and gains of trade, professions, &c.	3,831,088	3,146,332
E. Salaries, pensions, &c.	1,174,456	1,167,678
Totals	£16,548,986	£15,298,982

The following is the return of the value of the several species of property on which the assessment was made for the years ending the 5th April 1814 and 1815, viz.:—

Schedules	1813–14.	1814–15.
A.	£56,701,923	£60,138,330
B.	36,336,883	38,396,144
D.	36,080,167	38,310,935
E.	11,380,748	11,744,557
C. Not stated, but estimated at	30,000,000	30,000,000
Totals	£170,499,721	£178,589,966

The present income-tax, imposed by the Act 5 & 6 Vict. c. 35, was introduced by Sir Robert Peel. When he commenced his memorable administration in 1842, the public income was

about 2½ millions under the expenditure, and to enable him to meet that deficiency, and to effect the various changes he had in view in our commercial policy and system of taxation, he introduced the income-tax. It was originally limited to 7*d.* per 1*l.* (2*l.* 18*s.* 4*d.* per cent.), and to a period of three years; but the rate has since been frequently varied, and it has been continued by repeated prolongations down to the present time, and we do not pretend to conjecture what may be its future destiny.

Though it certainly enabled the great minister by whom it was brought into the field to effect many important reforms, yet it may be doubted whether it was so indispensable as has been generally supposed. Sir Robert Peel appears to have been impressed with the idea that we had reached the boundary of indirect taxation, and that it was necessary to resort to direct taxes to redress the balance between revenue and expenditure. But we cannot help thinking that this was an entirely erroneous opinion. Despite his great caution, Sir R. Peel, in financial matters, was too fond of amputation. Had he contented himself with judiciously altering and amending, rather than repealing, sundry duties, he might perhaps have entirely dispensed with the dangerous aid of an income-tax, and at all events he would not have set the evil precedent of its renewal. Under the supposed circumstances he might, perhaps, have effected fewer reforms. But in such matters the Fabian policy is, probably, the best. In a country so peculiarly situated as this, with so large a public debt, and so complicated a social system, sudden changes are generally to be deprecated. We beg, however, to offer these remarks with the greatest diffidence. Whatever has been deliberately approved by Sir R. Peel has a strong presumption in its favour.

ACCOUNT showing the RATES of DUTY, and the GROSS and NETT AMOUNT of DUTY, on PROPERTY and INCOME in each Year from 1842 to 1861 inclusive.—N.B.—From 1842 to 1853, the Tax affected Britain only, but since 1853 it has been extended to all parts of the United Kingdom.

Years.	Rates of Duty.	Gross Amount of Duty.	Nett Amount of Duty.
		£ s. d.	£ s. d.
1842	7*d.* in the Pound on Incomes of £150 and upwards (Great Britain).	582,656 17 8	582,037 17 11
1843	" " " "	5,456,365 13 10	5,387,455 9 11
1844	" " " "	5,446,380 19 6	5,329,600 15 3
1845	" " " "	5,306,468 15 5	5,183,649 9 9
1846	" " " "	5,656,528 5 5	5,543,682 8 8
1847	" " " "	5,708,790 5 5	5,612,654 8 5
1848	" " " "	5,561,759 7 5	5,485,164 8 0
1849	" " " "	5,669,876 9 6	5,564,838 7 8
1850	" " " "	5,617,275 16 2	5,510,359 17 11
1851	" " " "	5,538,880 2 2	5,440,249 16 10
1852	" " " "	5,749,336 1 0	5,652,770 8 10
1853	7*d.* in the Pound on Incomes of £150 and upwards, and 5*d.* from £100 to £150, and extended to Ireland.	5,816,990 1 0	5,730,457 18 2
1854	1*s.* 2*d.* in the Pound on Incomes of £150 and upwards, and 10*d.* from £100 to £150.	11,031,836 7 4	10,922,266 16 9
1855	1*s.* 4*d.* in the Pound on Incomes of £150 and upwards, 11½*d.* from £100 to £150.	15,402,901 14 11	15,159,457 14 4
1856	" " " "	16,384,494 0 0	16,050,670 0 0
1857	Incomes of 150*l.* and upwards, 7*d.* per Pound. Incomes between 100*l.* and 150*l.*, 5*d.* per Pound from 5th April.	11,767,306 0 0	11,396,435 0 0
1858	Incomes of 100*l.* and upwards, 5*d.* per Pound from 5th April.	6,812,232 0 0	6,610,102 0 0
1859	Incomes of 150*l.* and upwards, 9*d.* per Pound. Incomes between 100*l.* and 150*l.*, 6½*d.* per Pound from 5th April.	9,789,483 0 0	9,666,141 0 0
1860	Incomes of 150*l.* and upwards, 10*d.* per Pound. Incomes between 100*l.* and 150*l.*, 7*d.* per Pound from 5th April.	11,158,883 0 0	—
1861	Incomes of 150*l.* and upwards, 9*d.* per Pound. Incomes between 100*l.* and 150*l.*, 6*d.* per Pound from 5th April.	10,688,001 0 0	—
1862	" " " "	—	—

STATEMENT of the AMOUNT of PROPERTY ASSESSED under the different Schedules of the PROPERTY and INCOME TAX ACT, in England and Wales, Scotland, and Ireland, for the Years ending 5th April 1854, 1855, 1856, 1857, 1858, 1859, and 1860, distinguishing the Amount of Property Assessed in England and Wales, and Scotland, under the following Heads: viz., Lands, Messuages, Tithes, Manors, Fines, Quarries, Mines, Iron-works, Fisheries, Canals, Railways, Gasworks, other Property, and General Profits.

		Schedules					Property Assessed.
		A.	B.	C.	D.	E.	
England and Wales.	1853		£41,157,213	£26,793,188	£59,563,300	£11,056,711	£234,743,377
	1854		41,155,903	26,869,302	76,215,936	12,853,914	256,369,364
	1855		41,067,948	24,797,040	74,610,127	13,559,321	254,869,764
	1856		41,070,148	24,407,355	72,579,557	15,516,421	255,511,656
	1857		41,186,404	26,935,770	73,511,927	15,832,511	261,069,680
	1858		42,777,237	28,083,017	77,503,022	16,383,306	274,724,847
	1859		42,702,550	27,945,120	77,442,051	16,949,287	275,962,072
	1860		42,955,963	28,345,070	81,921,267	17,415,000	282,718,049
Scotland.	1853	£11,028,796	£5,499,404		£10,474,712	£624,125	£27,627,037
	1854	11,947,791	5,687,175		12,185,924	730,314	30,551,204
	1855	12,144,437	5,725,045		11,889,864	784,565	30,543,911
	1856	12,428,781	5,872,714		11,003,079	862,222	30,166,796
	1857	12,543,811	5,932,156		11,109,149	913,288	30,498,404
	1858	13,809,321	6,254,218		8,548,591	946,769	29,558,899
	1859	13,885,457	6,230,021		8,070,784	982,035	29,168,297
	1860	13,974,080	6,261,680		8,626,144	1,031,220	29,913,124
Ireland.	1854	£11,767,810	£2,695,680	£1,451,205	£4,621,069	£861,324	£21,397,088
	1855	11,892,120	2,603,424	1,390,371	4,780,140	920,727	21,586,782
	1856	11,878,545	2,574,684	1,371,045	4,618,735	947,437	21,390,446
	1857	11,952,285	2,582,538	1,408,960	4,677,874	966,666	21,488,343
	1858	12,826,739	2,804,248	1,432,354	4,788,017	1,003,748	22,855,106
	1859	12,858,701	2,766,932	1,401,792	4,852,588	1,117,034	22,997,047
	1860	12,893,829	2,765,387	1,358,218	4,891,552	1,190,000	23,099,081

AMOUNT of PROPERTY Assessed under Schedule A.

Heads of Assessment.		1854.	1855.	1856.	1857.	1858.	1859.	1860.
		£	£	£	£	£	£	£
England and Wales.	Lands	41,085,081	41,236,589	41,048,091	41,176,957	42,684,577	42,701,895	42,940,209
	Messuages	42,828,318	43,425,146	44,196,369	44,994,174	47,468,766	48,138,024	48,779,076
	Tithes	344,966	360,259	366,897	367,877	209,960	210,597	54,738
	Manors	172,013	174,257	186,832	191,003	203,479	207,538	212,014
	Fines	268,329	295,469	304,959	255,706	218,863	212,145	225,639
	Quarries	267,552	272,493	274,399	277,404	366,801	372,595	366,222
	Mines	2,504,173	2,588,198	2,657,975	2,694,461	3,485,150	3,548,923	3,658,517
	Iron-works	861,102	890,539	915,830	933,735	1,249,531	1,213,635	1,134,012
	Fisheries	16,465	17,625	17,699	15,820	17,959	18,597	16,840
	Canals	831,118	825,591	823,088	830,432	802,765	779,405	772,312
	Railways	7,706,426	8,291,162	8,630,356	9,209,449	10,480,401	10,631,816	10,732,838
	Gasworks	661,726	670,295	677,190	680,130	843,060	872,805	918,702
	Other Property	1,632,120	1,659,427	1,710,733	1,798,008	1,960,290	1,865,833	2,060,266
	General Profits	92,946	128,278	127,757	127,917	147,163	149,286	191,364
	£	99,274,309	100,835,328	101,938,175	103,603,068	109,978,265	110,923,084	112,082,749
Scotland.	Lands	£5,687,174	£5,725,045	£5,872,714	£5,932,156	£6,254,218	£6,230,021	£6,261,680
	Messuages	4,131,020	4,209,060	4,239,216	4,358,398	4,703,735	4,842,323	4,968,840
	Fines	1,916	2,161	1,877	1,742	2,276	3,133	3,498
	Quarries	47,553	50,008	45,575	43,045	49,007	47,879	47,021
	Mines	305,560	302,584	328,089	311,583	337,219	337,429	356,938
	Iron-works	424,579	487,509	511,138	475,753	641,469	563,288	383,218
	Fisheries	44,818	44,114	44,339	47,614	50,086	52,607	54,847
	Canals	59,853	58,353	58,758	58,451	70,179	70,889	70,684
	Railways	823,306	839,640	898,873	891,292	1,246,592	1,264,675	1,299,724
	Gasworks	118,956	119,932	114,642	104,755	112,958	117,641	122,646
	Other Property	253,604	249,227	250,596	248,575	267,794	277,086	285,502
	General Profits	49,453	56,804	62,964	70,447	73,790	78,487	79,482
	£	11,947,791	12,144,437	12,428,781	12,543,811	13,809,321	13,885,457	13,974,080

No similar Return for Ireland.

ACCOUNT showing the RATES of DUTY, and the GROSS and NETT AMOUNT of DUTY, on PROPERTY and INCOME in each Year from 1842 to 1861 inclusive.—N.B.—From 1842 to 1853, the Tax affected Britain only, but since 1853 it has been extended to all parts of the United Kingdom.

Years.	Rates of Duty.	Gross Amount of Duty.	Nett Amount of Duty.
		£ s. d.	£ s. d.
1842	7*d.* in the Pound on Incomes of £150 and upwards (Great Britain).	582,636 17 8	582,037 17 11
1843	" " " "	5,436,365 13 10	5,387,455 9 11
1844	" " " "	5,443,380 19 6	5,389,600 15 5
1845	" " " "	5,306,488 15 5	5,182,649 9 9
1846	" " " "	5,656,528 5 5	5,543,632 8 8
1847	" " " "	5,706,790 5 5	5,612,654 8 5
1848	" " " "	5,591,759 7 5	5,485,164 8 0
1849	" " " "	5,669,376 9 6	5,564,838 7 8
1850	" " " "	5,617,275 16 2	5,510,859 17 11
1851	" " " "	5,538,380 2 2	5,440,349 16 10
1852	" " " "	5,749,336 1 0	5,652,770 8 10
1853	7*d.* in the Pound on Incomes of £150 and upwards, and 5*d.* from £100 to £150, and extended to Ireland.	5,816,990 1 0	5,730,457 18 2
1854	1*s.* 2*d.* in the Pound on Incomes of £150 and upwards, and 10*d.* from £100 to £150.	11,031,836 7 4	10,922,266 16 9
1855	1*s.* 4*d.* in the Pound on Incomes of £150 and upwards, 11½*d.* from £100 to £150.	15,402,901 14 11	15,159,457 14 4
1856	" " " "	16,384,494 0 0	16,050,670 0 0
1857	Incomes of 150*l.* and upwards, 7*d.* per Pound. Incomes between 100*l.* and 150*l.*, 5*d.* per Pound from 5th April.	11,767,306 0 0	11,396,435 0 0
1858	Incomes of 100*l.* and upwards, 5*d.* per Pound from 5th April.	6,812,232 0 0	6,610,102 0 0
1859	Incomes of 150*l.* and upwards, 9*d.* per Pound. Incomes between 100*l.* and 150*l.*, 6½*d.* per Pound from 5th April.	9,789,463 0 0	9,666,141 0 0
1860	Incomes of 150*l.* and upwards, 10*d.* per Pound. Incomes between 100*l.* and 150*l.*, 7*d.* per Pound from 5th April.	11,158,883 0 0	—
1861	Incomes of 150*l.* and upwards, 9*d.* per Pound. Incomes between 100*l.* and 150*l.*, 6*d.* per Pound from 5th April.	10,688,001 0 0	—
1862	" " " "	—	—

STATEMENT of the AMOUNT of PROPERTY ASSESSED under the different Schedules of the PROPERTY and INCOME TAX ACT, in England and Wales, Scotland, and Ireland, for the Years ending 5th April 1854, 1855, 1856, 1857, 1858, 1859, and 1860, distinguishing the Amount of Property Assessed in England and Wales, and Scotland, under the following Heads: viz., Lands, Messuages, Tithes, Manors, Fines, Quarries, Mines, Iron-works, Fisheries, Canals, Railways, Gasworks, other Property, and General Profits.

		SCHEDULES					Property Assessed.
		A.	B.	C.	D.	E.	
ENGLAND AND WALES.	1853	£41,157,213	£26,793,188	£59,563,300	£11,056,711	£234,743,377
	1854	41,155,903	26,869,302	76,215,936	12,853,914	256,369,364
	1855	41,067,948	24,797,040	74,610,127	13,559,321	254,869,764
	1856	41,070,148	24,407,355	72,579,557	15,516,421	255,511,656
	1857	41,186,404	26,935,770	73,511,927	15,832,511	261,069,680
	1858	42,777,237	28,063,017	77,503,022	16,383,306	274,724,847
	1859	42,702,580	27,945,120	77,442,051	16,949,287	275,962,072
	1860	42,955,963	28,343,070	81,921,267	17,415,000	282,718,049
SCOTLAND.	1853	£11,028,796	£5,499,404	- - -	£10,474,712	£624,125	£27,627,037
	1854	11,947,791	5,687,175	- - -	12,185,924	730,314	30,551,204
	1855	12,144,437	5,725,045	- - -	11,889,864	784,565	30,543,911
	1856	12,428,781	5,872,714	- - -	11,003,079	862,222	30,166,796
	1857	12,543,811	5,932,156	- - -	11,109,149	913,288	30,496,404
	1858	13,809,321	6,254,218	- - -	8,548,791	946,769	29,558,899
	1859	13,885,457	6,230,021	- - -	8,070,784	982,035	29,168,297
	1860	13,974,080	6,281,680	- - -	8,626,144	1,031,220	29,913,124
IRELAND.	1854	£11,767,810	£2,695,680	£1,451,205	£4,621,069	£861,324	£21,397,088
	1855	11,892,120	2,603,424	1,390,371	4,780,140	920,727	21,586,782
	1856	11,878,545	2,574,684	1,371,045	4,618,735	947,437	21,390,446
	1857	11,952,285	2,582,538	1,408,980	4,577,874	966,666	21,488,343
	1858	12,826,739	2,804,248	1,432,354	4,788,017	1,003,748	22,855,106
	1859	13,858,701	2,766,932	1,401,792	4,852,588	1,117,034	23,997,047
	1860	12,893,829	2,765,387	1,358,218	4,891,652	1,190,000	23,099,081

AMOUNT of PROPERTY Assessed under Schedule A.

Heads of Assessment.		1854.	1855.	1856.	1857.	1858.	1859.	1860.
		£	£	£	£	£	£	£
ENGLAND AND WALES.	Lands	41,065,081	41,236,589	41,048,091	41,176,957	42,684,577	42,701,895	42,940,209
	Messuages	42,828,318	43,425,146	44,196,369	44,994,174	47,468,766	48,133,024	48,779,076
	Tithes	344,960	350,259	366,897	367,877	209,960	210,587	54,738
	Manors	172,013	174,257	186,832	191,003	203,479	207,538	212,014
	Fines	286,339	296,469	304,959	255,706	218,363	212,145	225,639
	Quarries	267,532	272,483	274,399	277,404	366,801	372,595	366,222
	Mines	2,504,178	2,588,198	2,697,975	2,694,461	3,485,150	3,548,923	3,658,517
	Iron-works	861,102	890,539	915,830	983,735	1,249,531	1,213,635	1,134,012
	Fisheries	16,465	17,625	17,699	15,820	17,959	18,597	16,840
	Canals	831,118	825,591	823,088	830,432	802,765	779,405	772,312
	Railways	7,708,426	8,291,162	8,630,358	9,209,449	10,450,401	10,631,816	10,732,838
	Gasworks	661,726	670,295	677,190	680,130	843,060	872,805	918,702
	Other Property	1,632,120	1,659,427	1,710,783	1,798,003	1,960,290	1,865,833	2,080,266
	General Profits	92,946	128,278	127,757	127,917	147,163	149,286	191,364
	£	99,274,309	100,835,328	101,938,175	103,603,068	109,978,265	110,923,084	112,082,749
SCOTLAND.	Lands	£5,687,174	£5,725,045	£5,872,714	£5,932,156	£6,254,218	£6,230,021	£6,281,680
	Messuages	4,131,020	4,209,060	4,239,216	4,358,398	4,703,733	4,842,322	4,968,840
	Fines	1,916	2,161	1,877	1,742	2,276	3,133	3,498
	Quarries	47,553	50,008	45,575	43,045	49,007	47,879	47,021
	Mines	305,560	302,584	325,089	311,583	337,219	337,429	356,938
	Iron-works	424,579	467,509	511,138	475,753	641,469	563,288	383,218
	Fisheries	44,818	44,114	44,339	47,614	50,086	52,607	54,847
	Canals	59,853	58,353	58,753	58,451	70,179	70,389	70,684
	Railways	823,306	839,640	898,873	891,292	1,246,592	1,264,675	1,299,724
	Gasworks	118,936	119,932	114,642	104,755	112,958	117,641	122,646
	Other Property	255,604	249,227	250,596	248,575	267,794	277,086	285,502
	General Profits	49,452	56,804	62,964	70,447	73,790	78,487	79,462
	£	11,947,791	12,144,437	12,428,781	12,543,811	13,809,321	13,885,457	13,974,080

No similar Return for Ireland.

PART II.

INDIRECT TAXES.

CHAPTER I.

ADVANTAGES AND DISADVANTAGES OF DIRECT AND INDIRECT TAXES.

THOUGH most governments have had recourse to direct taxes, they have rarely, at least in Europe, formed the sole or even principal source of the public revenue. Indirect taxes have with few exceptions been the greatest favourites both of princes and subjects; and there are very sufficient reasons for the preference of which they have so generally been the object. The burden of direct taxation is palpable and obvious. It admits of no disguise or concealment, but makes every one fully sensible of the exact amount of the demand made upon him by government. We are all, however, extremely averse from parting with property, except we obtain some more acceptable equivalent in its stead. And the benefits derived from the institution of government, though of the highest importance, being neither so very obvious nor striking as to be readily felt and appreciated by the bulk of the people, there is, in the great majority of cases, a strong disinclination to the payment of direct taxes. For this reason governments have generally had recourse to those that are indirect. Instead of exciting the prejudices of their subjects by openly demanding a portion of their incomes, they have taxed the articles on which these incomes are usually expended. This ingenious plan, while it conceals the amount of taxation, makes its payment in some measure voluntary. The tax being generally

paid, in the first instance, by the producers, the purchasers confound it with the natural price of the commodity. No separate demand being made upon them for the tax, it escapes their recollection, and the article which they receive seems the fair equivalent of the sacrifice made in acquiring it.* Or if the tax should be so heavy as to add materially to the price of the article, they either wholly abstain from using it, or use a less quantity. Such taxes have also the advantage of being paid by degrees, in small portions, at the time when the commodities are wanted for consumption, or when it is most convenient for the contributors to pay them.

The facility with which indirect taxes may be imposed, and their peculiar influence in promoting industry, have been set in a striking light by the Marquis Garnier. "L'habitude," says he, "qu'ont les hommes de voir dans l'argent la représentation de toutes les choses qui servent au soutien ou à l'agrément de la vie, leur fait naturellement contracter une extrême répugnance à se défaire de l'argent qu'ils possédent, à moins qu'il ne s'agisse de pourvoir à un besoin, ou de se procurer une jouissance. On dépense avec plaisir, mais il faut un effort pour payer une dette; et celle qui coûte le plus à acquitter, parce que la valeur reçue en échange est moins aperçue et moins sensible pour tout le monde, c'est l'impôt. En attachant l'impôt à la chose consommable, en le confondant dans le prix de celle-ci, en faisant que la paiement

* "Les droits sur les marchandises sont ceux que les peuples sentent le moins parce qu'on ne leur fait pas une demande formelle. Ils peuvent être si sagement ménagés, que le peuple ignora presque qu'il les paie. Pour cela il est d'une grande conséquence que ce soit celui qui vend la marchandise qui paie le droit. Il sçait qu'il ne paie pas pour lui; et l'acheteur, qui dans le fond le paie le confond avec le prix." (Montesquieu, "Esprit des Loix," liv. xiii. cap. 7.)

Nero was supposed to have abolished the duty of 4 per cent. on the slaves sold in Rome, when he really did no more than order it to be paid by the seller instead of the buyer. "Remissum," says Tacitus, "specie magis quam vi; quia cum venditor pendere juberetur, in partem pretii emptoribus accrescebat." (Annal., lib. xiii. cap. 32.)

de la dette et la jouissance soient un seul et même acte, on fait en quelque sorte participer l'impôt à l'attrait que porte avec soi la consommation, et l'on fait naître dans l'esprit du consommateur le désir d'acquitter l'impôt. C'est au milieu de la profusion des repas que se paient les taxes sur le vin, la bière, la sucre, le sel, et les articles de ce genre, et le trésor public trouve un source de gain dans les provocations à la dépense qui sont excitées par l'abandon et la gaîté des fêtes.

"Un autre avantage de même nature en faveur de l'impôt indirect ou de consommation, c'est son extrême divisibilité, et la facilité donnée au contribuable de s'acquitter jour par jour et même d'une minute à l'autre. L'artisan qui soupe d'une partie du salaire de sa journée, satisfait quelquefois en un quart d'heure, à quatre ou cinq paiemens divers de l'impôt.

"Dans la perception directe l'impôt se montre sans nul déguisement; il vient sans être attendu, à cause de l'imprévoyance si ordinaire au commun des hommes, et il apporte toujours avec lui de la gêne et du découragement. Mais l'impôt indirect, en ajoutant successivement un surcroît de prix aux articles de consommation générale et journalière, au moment où tous les membres de la société ont contracté l'habitude de ses consommations, rend ses divers articles un peu plus coûteux à acquérir; c'est-à-dire, qu'il donne lieu à ce qu'il faille, pour se les procurer, un surcroît proportionné de travail et d'industrie. Or, si cet impôt est mesuré de manière à ne pas aller jusques à décourager la consommation, ne semble-t-il pas, dans ce cas, agir comme un stimulant universel sur la partie active et industrieuse de la société, qui l'excite à un redoublement d'efforts, pour n'être pas obligé de renoncer à des jouissances que l'habitude lui a rendues presque nécessaires, et qui, en conséquence, donne un plus grand développement aux facultés productives du travail et aux ressources de l'industrie? Ne doit-il pas en résulter, qu'après l'impôt, il y a la même somme de travail et d'industrie qu'auparavant pour fournir aux besoins et aux jouissances habituelles des hommes qui

composent la classe laborieuse, plus la somme de travail et d'industrie qui a dû pourvoir au surcroît de prix destiné à l'impôt ? Or, cet impôt, ou ce surcroît de produit que se paye, étant dépensé par le gouvernement qui le recueille, sert à alimenter une nouvelle classe des consommateurs, qui forment des demandes que l'impôt les met à portée de payer."*

The truth of this statement is so very obvious that it may appear unnecessary to enlarge farther upon the subject. And yet we are sometimes assured that if we look a little more narrowly into the matter we will find that the representations of Garnier are in the main fallacious, and that indirect taxes are very frequently productive of singularly injurious results. But the contradiction involved in this statement is apparent merely. Garnier, and those who have espoused his views, refer only to such indirect taxes as have been judiciously selected and assessed, and confined within reasonable limits; whereas the objectors refer to a totally different variety of taxes, to such as should not have been imposed, or that have been assessed on an unfair principle, or been carried to an oppressive extent. These, however, are nothing save abuses of a sound principle; and it would be as unreasonable to object to food, that when taken in excess it is injurious, as it is to object to indirect taxes that they may be unskilfully applied or carried to an excess. When properly administered, which is never any very difficult matter, they really become efficient sources of wealth.

Supposing that the insuperable difficulty of fairly assessing taxes upon property and income were to be overcome, they would probably have nearly the same influence as indirect taxes in promoting habits of economy or saving among the contributors. But exclusive of their influence in this respect, indirect taxes have a farther, as well as a peculiar and powerful, influence in stimulating industry, invention, and

* "Préface à la Traduction de la Richesse des Nations," t. i. p. 66., éd. 2de.

enterprise. And it is in this that their great and distinguishing superiority mainly consists.

Hume did not fail to observe, and has happily illustrated this principle. "When," says he, "a tax is laid upon commodities, which are consumed by the common people, the necessary consequence may seem to be, that either the poor must retrench something from their way of living, or raise their wages, so as to make the burden of the tax fall entirely upon the rich. But there is a third consequence which very often follows upon taxes, viz., that the poor increase their industry, perform more work, and live as well as before, without demanding more for their labour. Where taxes are moderate, are laid on gradually, and affect not the necessaries of life,* this consequence naturally follows; and 'tis certain that such difficulties often serve to excite the industry of a people, and render them more opulent and laborious than others, who enjoy the greatest advantages."—(Essay on Taxes.)

It may hardly perhaps be thought necessary to say more in illustration of this part of our subject. The reader may, however, refer to the preceding chapter on Taxes on Profits, and to Sir William Temple's "Observations on the United Provinces," where the subject is practically illustrated. But the matter is so important, that it deserves to be set in different lights. And in this view leave is taken to subjoin the following illustration.

Previously to 1786 the duties on spirits distilled in Scotland were charged according to the quantities supposed to be actually produced. But as this mode of assessing the duty was found to open a door to extensive frauds, it was resolved to substitute in its stead a licence-duty proportioned to the

* The words, "affect not the necessaries of life," have doubtless been thrown in *per incuriam*. Moderate duties on necessaries exhibit, in the most marked degree, the consequences so justly ascribed by Hume to those laid on other articles.

size of the still used by the distiller. Stills being all of the same shape, and the quantity of spirits that each could produce in a year according to its cubic contents having been accurately calculated, it was supposed that this plan would effectually prevent smuggling, and that the officers would have nothing to do but to inspect the stills that had been licensed, to prevent their size being increased.* On the first introduction of this apparently well-considered system, the licence-duty on each still was fixed at the rate of 30*s.* per gallon of its contents. The principle, however, on which the duty was assessed was very soon subverted. The stills in use down to this period were very deep in proportion to their diameter, so that after being charged they required at an average about a week before the process of distillation was completed. But the new mode of charging the duty had no sooner been introduced, than it occurred to two ingenious persons, Messrs. John and William Sligo, distillers, Leith, that by lessening the depth of the still and increasing its diameter, a larger surface would be exposed to the action of the fire, so that its contents would be run off in considerably less time. Having adopted this plan, they found that it fully answered their expectations, and that they were able to distil the same quantity of spirits in a few hours that had previously occupied a week. Messrs. Sligo kept this important invention secret for about a year; but it was too valuable to be long concealed; and the moment it transpired the plan was adopted by other distillers. In consequence Government raised, in 1788, the licence-duty on the still from 30*s.* to 3*l.* a gallon. This increase having redoubled the activity of the distillers, the duty was raised in 1793 to 9*l.* a gallon, in 1795 to 18*l.*, and in 1797 it was carried to the enormous sum

* See an able tract entitled "Resolutions of the Landed Interest of Scotland respecting the Distillery, with Reasons why the Duty on Spirits should be levied by an Annual Licence-Duty on the Still." By Sir John Dalrymple, Bart. Edinburgh, 1786.

of 54*l.* a gallon. Still, however, the ingenuity of the distiller outran the increase of the tax; and it was proved, before a Committee of the House of Commons in 1798, that distillation had been carried to such perfection, that stills had occasionally been filled and discharged once every *eight* minutes! This, it was supposed, must be the maximum of velocity, and a new licence-duty was laid on the still on the hypothesis that it could, at an average, be run off in that time, or that it could be filled and emptied once every eight minutes during the season. But the ingenuity of the distillers was not yet tasked to the highest. And it was ascertained that, towards the latter end of the licence-system, stills of 40 gallons had been, at an average, filled and run off in the almost incredibly short space of *three* minutes, being an increase of 2,880 times on the rapidity of distillation that had obtained when the licence-system was introduced in 1786!

Now, it will not be alleged, at least with any show of reason, that had a duty of 5 or 10 per cent. been laid on their income or capital, Messrs. Sligo would have been half so likely to make this important discovery. But being assessed on the still, the duty had the double effect of fixing attention specially on it, and of operating as a powerful incentive to its improvement.

This principle holds universally, that is, it applies to duties on all descriptions of articles, whether produced at home or imported. The moment such duties are imposed or increased, all the genius, the invention, and the practical sagacity of the manufacturers, merchants, and work-people, and all the talent they can command, are at work to find out cheaper methods of production, cheaper markets whence to import, and cheaper means of conveyance, so that the operation of the duties may, in as far as possible, be defeated by a reduction in the cost of the articles on which they are laid. It would not be easy to exaggerate, even if one were so disposed, the powerful operation of this principle. We find in the spur which it gives to inven-

tion and economy the explanation of what Garnier calls the most surprising phenomenon of Political Economy, "*l'accroissement rapide et prodigieux de la richesse chez les nations les plus chargées d'impôts sur les articles de la consommation générale.*"

But, notwithstanding the facility with which they may be imposed, and their influence, while confined within reasonable limits, in stimulating industry and invention, it must not be supposed that taxes on commodities or on expenditure are, in all respects, unobjectionable. It may be said of taxes as of poems,—

> "Whoe'er expects a faultless tax to see
> Expects what neither is, nor was, nor e'er shall be."

The disadvantages incident to this class of duties have, however, been much exaggerated. It is alleged, for example, that they alter the natural distribution of capital and industry, and divert them into less advantageous channels, because, as already seen, when a tax is laid on any description of commodities, the producers, unless they can otherwise neutralise its influence, raise their prices by diminishing the supply of taxed articles in the market, and employing a portion of their capital in some more profitable business. But, if at all sensible, this disturbing action is experienced only when a duty is first imposed; for capital being distributed, after a short while, so as to suit the new state of things, the duty occasions no further disturbance. It is not, however, by any means a necessary consequence that the prices of articles on which duties have been laid should be raised proportionally to their amount, or, indeed, that they should be raised at all, and in the latter case the distribution of capital will not be affected. Provided duties be not oppressive, their influence in exciting those engaged in the production of the taxed articles to new efforts of industry and economy may enable them to sell the commodities at their old price, or at one but little higher,

And supposing it were otherwise, and that prices were raised proportionally to the tax, the effect would be confined to the home market, inasmuch as the granting of an equivalent drawback, or the remitting of the duties on the articles when exported, hinders the foreign market from being affected by the tax.

Duties on commodities being usually prepaid by the producers, and then by the wholesale dealers and others who sell them to the retailers, they not only, it is said, increase prices by their amount, but also by the amount of the profits of the various parties by whom they have been advanced before they are finally paid by the consumers. But though this circumstance undoubtedly operates to increase prices, its influence has been excessively overrated by Richardson, Say, Sismondi, and others. In the great majority of cases the retailers deal either directly with the producers or importers, or with the wholesale dealers, and, though the route through which an article has to pass in its way to the public were a great deal more circuitous, that circumstance would have very little influence over its price. Sismondi indeed has calculated that a tax of 4,000 francs, paid originally by a manufacturer whose profits were 10 per cent., would, if the manufactured commodity passed through the hands of only five different persons before reaching the consumer, cost the latter 6,734 francs. This calculation proceeds on the supposition that he who first advances the tax receives from the next purchaser 4,400 francs, and he, again, from the next 4,840 francs; so that at each step 10 per cent. is added to its value. "But this," as Mr. Ricardo has justly observed, "is to suppose that the value of the tax would be accumulating at *compound* interest; not at the rate of 10 per cent. per annum, but at an absolute rate of 10 per cent. at every step of its progress. Sismondi's statement would be correct, if five years elapsed between the first advance of the tax and the sale of the taxed commodity to the consumer; but if one year only elapsed, a remuneration of 400 francs, instead of 2,734,

would give a profit at the rate of 10 per cent. per annum to all who had contributed to the advance of the tax, whether the commodity had passed through the hands of five manufacturers or fifty." * And it might also, one would think, have occurred to those who put forward such exaggerated statements, that if they were in any degree true, those retailers who deal directly with the producers or importers would be able to supply their customers at comparatively low prices, so that the others would be entirely driven from the field.

It is admitted that high duties on commodities encourage smuggling. "They tempt persons to violate the laws of their country, who are frequently incapable of violating those of natural justice, and who would have been in every respect excellent citizens, had not the laws of their country made that a crime which nature never meant to be so." † Their collection requires, in consequence, the employment of numerous officers; and the producers of the taxed articles, being exposed to considerable inconvenience from domiciliary visits, indemnify themselves by adding to the price of their goods. But these are not legitimate consequences of duties on commodities. They result from their abuse, from the improper selection of the articles on which they are charged, or from their being carried to an improper extent, or both. The truth or expediency of a principle is not, however, to be tested by the ignorance, the folly, or the bad faith of those by whom it may be applied. When assessed upon proper subjects, and confined within reasonable limits, neither of which is difficult to discover, duties on commodities have nothing that can be found fault with. The temptation which they create to engage in smuggling is easily obviated. And it will be afterwards shown that duties so restricted are uniformly more productive than those which are carried to such a height as to hold out any great encouragement

* "Principles," &c., 3rd edit., p. 459.

† "Wealth of Nations," p. 378.

to illegitimate practices. But, after all, the stimulus which too high duties give to smuggling is not to be regarded as an unmixed evil. On the contrary, it is to be looked upon as a warning, an intimation that the limits of productive taxation have been exceeded; that we have arrived at the stage described by Swift when two and two in the arithmetic of the customs and excise do not make four, but frequently only one; and that it is necessary that the duties should be reduced. The smuggler, though generally a bad man, is, in some respects, a public benefactor; and there is little chance that, with his assistance, either customs or excise duties will be maintained at any very ruinous level. If the duties on any description of articles be too high, they become unproductive, because the smuggler supplies them at a less price. But, unluckily, there is no such corrector of the abuse of property and income taxes. None can offer to supply A, or B, or C, who complains that his income-tax is unjust and oppressive, with an income that is less burdened. In such cases individuals must redress their own injuries, and trust to their dexterity in concealing, or their boldness in denying, the amount of their incomes to evade the tax. But, how powerful soever, these resources are not equal to those furnished by the smuggler. We have the best of all securities that the present duties on spirits, malt, and tobacco will not be doubled, for everybody knows that if so, the revenue derived from them would be greatly diminished. But such would not be the case were the income-tax doubled or trebled. No doubt such a measure would more than double or treble the enormous fraud and perjury to which it gives rise; but still it would furnish additional revenue. It is difficult, indeed, to say, so long as there is anything to assess, when a tax on revenue would cease to be productive. But with duties on commodities this is a point that very soon discloses itself. They embody a principle that makes their abuse unproductive; and hence their superiority to taxes on property or income. The latter have nothing that can either correct or

modify their defects, or hinder them from becoming ruinous and intolerable. Even when most moderate, they demoralize all ranks and orders of the community, whereas moderate duties on commodities act as incentives to industry and economy, and those that are oppressive, if such there be, affect the few only who produce or deal in them.

It is said that duties on commodities do not always fall on individuals in proportion to their means of paying them; and that, while they press severely on persons with large families, or who occupy prominent stations, they may be almost wholly avoided by rich misers and those in obscure stations. But though not proportioned to the means of the parties, nor intended to be so, they are imposed on a fair principle, and involve no injustice. Their payment is to a considerable extent voluntary. And the fact that they sometimes press but lightly on those who might best afford them is of very little importance. Such persons will, in consequence, accumulate more and more capital, which being directly or indirectly employed in industrial undertakings, will most likely afford those engaged in them additional means of consuming. But whether this be so or not is immaterial. Two generations of misers do not often follow in succession; and the probability is, that the more liberal expenditure of those that are to come will fully compensate for the parsimony of their fathers.* In matters of this sort, practical considerations are entitled to the utmost regard. The perfect equality of taxation is impossible. All attempts to assess individuals in proportion to their incomes must necessarily miscarry; and will probably be, in the end, productive of more evil than

* "Who sees pale Mammon pine amidst his store,
Sees but a backward steward for the poor;
This year, a reservoir, to keep and spare;
The next, a fountain, spouting through his heir,
In lavish streams to quench a country's thirst,
And men and dogs shall drink him till they burst."
POPE, *Epistle III., on the Use of Riches.*

good. Nothing, therefore, remains but to adopt the best practicable taxes, and these appear, for the reasons already stated, to be duties on commodities or on expenditure. Those who abstain from spirits, sugar, and wine, will, of course, escape the duties laid on them. But those who use these articles have no good right to complain of this, seeing that they may also, by being as self-denying as the others, exempt themselves from the duties.

It is sometimes said that direct taxes are preferable to those that are indirect, because the latter fall principally on the lower and poorer portion of the community. It may be doubted, however, whether this be a true statement. A duty on gin, tobacco, beer, or other article consumed by the inferior classes, produces a greater amount of revenue than a duty on carriages, horses, French wines, livery servants, or such-like articles, used principally by the rich. This, however, is not, as already seen, a consequence of the duties pressing more heavily on the lower classes, but of their immense preponderance in point of numbers.* No fair conclusion can, in truth, be drawn in regard to the influence of taxation over different classes by merely looking at the gross sums which they respectively contribute to the revenue.

Independently, too, of these considerations, it has been shown, in treating of taxes on wages (and the same thing will be more fully established in the following chapter), that taxes on the necessaries consumed by the labourers, when they are not countervailed by greater exertion and economy, most commonly bring about, in the end, a corresponding rise of wages. There are cases, no doubt, in which such taxes diminish the comforts of the labourers; and, speaking generally, they should be resorted to with much caution, and confined within narrow limits.

It may further be observed, that industry and frugality are, like everything similar, always proportioned to the strength

* See *ante*, p. 18.

of the motives which lead to their practice. Hence if you were to repeal all, or the greater number, of the taxes on the products used by the bulk of the population, you would at the same time weaken the motives that impel them to be industrious and thrifty. And though at first the effect of the change might probably be next to imperceptible, it would gradually, as new generations came into the field, become greater and greater; till in the end it would most likely be found that the lower classes had gained little or nothing by the remission of the duties save an increased disposition to, and facilities for, waste and idleness.

It is not in the best situated countries, or those of which the climate is finest and the soil most productive, that the peasantry are best off. In these their necessities are few and easily supplied, and when these are satisfied, they seem to care for nothing more. They want the spur to continuous industry, the *curis acuens mortalia corda*, that stimulates the inhabitants of less (more?) happily situated countries, and makes them perseveringly laborious. And why should not artificial burdens, or political difficulties, have the like influence as a more inhospitable climate, or a less fertile soil?

Humboldt tells us that it had been proposed to prohibit the culture of the banana in Mexico as being the only means adequate to rouse the torpid faculties of the natives and make them in some degree industrious.* But what could not be done by so violent and impracticable a measure as a prohibition, might, perhaps, be done by the intervention of a tax; and if so, it would become a copious source of wealth. A policy of this sort would have a good deal of analogy with that which has been so successfully followed of late years by the Dutch in Java.†

* "Essai Politique sur la Nouvelle Espagne," ii. 396.

† Could its future influence have been foreseen, it would have been good policy to have burdened the potato culture, when it began to become general in Ireland, with a considerable duty; and many think that a policy of that sort might yet be advantageously adopted. Notwithstanding the famine and distress of which it was immediately productive, the failure of the potato crop in 1846 and subsequent years has done more than anything else by stimulating emigration, and diminishing the population, to promote improvement in Ireland.

It is contradictory to suppose that the condition of the population should be improved by the mere substitution of direct for indirect taxes. A fair and equitably assessed direct tax, whether on property or income, must fall equally on every man according to the amount of his property or income. If the tax be limited so as to fall on those only who have considerable properties or considerable incomes, it is in so far perverted from its legitimate object, and made to confer a bounty or an alms on certain classes at the expense of others. And yet we apprehend that here at least direct taxes are beginning to be looked upon as synonymous with taxes laid exclusively or principally on the wealthier classes; and that whatever popularity they may enjoy amongst us is to be ascribed to this circumstance. But all classes, the less as well as the more opulent, participate equally in the benefits resulting from the institutions, the security, and the national independence, for the maintenance of which taxes are imposed. On what pretence, then, is any class to be excused from contributing to their support? It is absurd to say that A should be exempted from taxation because he is not so rich as B; for, if you admit such exemption in the case of A, how can you refuse it in the case of B who is less opulent than C, or of C who is less opulent than D, and so on? All that individuals can fairly claim is, that they shall be taxed in proportion to their means whether these be great or small. The amount of the latter concerns themselves only; and is a matter indifferent to government, which is bound to treat all its subjects alike without regard to their wealth or social position. You cannot diverge from this rule, either to the one side or the other, without being entangled in endless difficulties and contradictions. Whatever is a favour to one, is necessarily an injustice to some one else quite as deserving, and as well entitled to protection. The existing income and house taxes supply instances of this. Being assessed only on the incomes and houses of the wealthier classes, they have more of the character of measures intended to confiscate a portion of

the property of the latter for the benefit of the exempted classes, than of equitable contributions to the wants of the public. The oppressiveness of a system of this sort depends, of course, on the magnitude of the exclusive or peculiar burden falling on the overtaxed party. But, however small, the principle which it involves is radically vicious. And it is to be feared, should such partial taxes be continued, that they will be gradually, and perhaps not very slowly, extended, till the mischiefs of which they will not fail to be productive have made their suicidal character manifest to every one.

Those most disinclined to be reckoned in the class of Mammon-worshippers must acknowledge that riches are, in ninety-nine out of every hundred instances, the result of superior industry, enterprise, or frugality; of the exercise, in short, of the peculiar virtues which all wise governments endeavour to diffuse and encourage. And being so, their possessors might, could equality ever be lost sight of in such matters, not very unreasonably claim some concession in their favour. But, though no pretension of this sort can be admitted, their merits are not to be made a ground of offence; and they are at least entitled to the same treatment, and to be placed, in a public point of view, on the same footing as others. While, therefore, it is right and proper that they should bear their proportional share of the public burdens, it is alike impolitic and unjust to call on them to bear more than their share. Practically, no doubt, it is impossible to subject all incomes to an income-tax. But, while its limitation to certain amounts renders it partial and unfair, it cannot be equally assessed even on the higher classes of incomes. Hence it should be unconditionally abolished. Resting as it does upon the most unsound and dangerous principles, its existence is the greatest, or rather the only great blot in our economical policy. Its defects become the more obvious when contrasted with duties on commodities, or on expenditure, which may be fairly assessed and easily collected; and which, when confined within moderate limits, promote industry and frugality; and generally

occasion the production of a greater amount of wealth than is sufficient for their discharge.

It is only in countries in a comparatively low state of civilization that any very considerable amount of revenue is raised by direct taxes. There too they are usually assessed on land and houses, or other fixed property. There is, indeed, little else on which they can be assessed. But in countries advanced in manufactures and trade, they cannot be so limited. It is indispensable that they should be laid equally on those who have, whatever may be their source, equal means. And this being found to be impracticable, they have generally been rejected in such countries, or resorted to only to a very limited extent, or under some peculiar necessity.

But though all the objections to an income or property tax, on the ground of inequality and unfairness, could be satisfactorily disposed of, there does not seem to be any real ground for supposing that the condition of the labouring classes would be sensibly improved by repealing the taxes on the commodities they make use of, and replacing them by an equivalent tax on the property or income of the wealthier classes. Suppose, for example, that the taxes on tea and sugar, producing above eleven millions a year, are repealed, to be replaced by a tax on property or income: In this case we believe it may be safely affirmed that more than a half of the indirect taxes now referred to are paid by parties who would not be affected by a property or income-tax, commencing at the same point as the existing income-tax. And, taking this for granted, it follows that 5,500,000*l.* would have to be added, in the event of the supposed commutation taking place, to the taxes falling at present upon the upper classes, whose means of employing labour, or of buying its produce, would, of course, be diminished in a corresponding degree. Whatever, therefore, the labourers might gain on the one hand by such a measure as this, they would lose about as much on the other. Their interests are in this respect identified with those of their masters; and it is

nugatory to suppose that you can improve their condition by repealing the taxes which fall on them, to lay them directly on their employers. If 100*l.* or 1,000*l.* a year be added to the taxes falling on a capitalist, is not his demand for labour, or for the produce of labour, directly or indirectly lessened to that extent?

But the influence of such a measure would not be negative only. The collateral and indirect effect of any great addition to the taxes falling on the property and income of the wealthier classes would hardly fail to be extremely disastrous. The existing temptations to evasion, perjury, and fraud would be increased, the security of property weakened, and additional force given to the motives which induce people to reside abroad. Capital has already a strong tendency to leave this country, to seek more profitable investments in the colonies and among foreigners. And this tendency would certainly be increased by adding to the taxes on the incomes of the richer classes. As they could neither elude nor mitigate the pressure of such taxes by abstaining from the use of taxed articles, and might at any time be exposed to still greater injustice, the temptation to withdraw themselves and their property to some other quarter would be proportionally strengthened.

It has occasionally been objected to indirect taxes, or at least to customs duties, that they are inconsistent with the great principle of free trade. But there is hardly even a plausible, much less a real foundation, for this statement. When equal and moderate duties are laid on commodities, without respect to the countries whence or the channels through which they come to us, the trade in them is quite as free as it would be were the duties repealed. Suppose that the existing duty of 1*s.* a quarter on foreign wheat were increased to 5*s.* or 7*s.* a quarter, that would not render the trade less free than it is at this moment. Such increase might lessen importation, but that would be all. Freedom is not absolute but relative, and consists in the absence of whatever is partial

oppressive, or unjust. Trade is quite as free when there are duties on imports and exports as when there are none, provided these duties be moderate, press equally on all articles and all parties, and involve no preferences.* The fair and free competition of horses in a race is not affected by their being all made to carry the same weight. And everybody knows that there is the same keen and close competition in the trades subjected to excise duties that there is in those that are duty free; and that a moderate increase in the cost of an article, whether occasioned by a tax or anything else, uniformly serves to stimulate the exertions of its producers. This objection is, therefore, quite untenable, and was hardly perhaps worth notice. When not put forward as mere clap-trap, it can only originate in an entire misconception of what is meant by the freedom of trade.

It is to no purpose to refer, in answer to what has now been stated, to the great increase of trade that has sometimes followed the reduction or repeal of duties; for it will be found, in every such case, that the duties have been either excessive in amount or prohibitory. Thus, in the case of the late extension of the trade with France, is it to be wondered at that a reduction of the duties on wine from 5*s.* 9*d.* to 1*s.* and 2*s.* 6*d.* per gallon should be followed by a large increase of importation? It was stipulated in the late treaty that woollen goods, which had formerly been prohibited, should be admitted into France at a duty of 25 per cent. *ad valorem;* and the government of the Emperor having since reduced the duty to 15 per cent., they have been very largely imported. This, however, merely shows what must have been known to every one, that oppressive duties and prohibitions are destructive of all trade. But such duties have nothing in common with those that are reasonable; and the imposition of the latter, on fair and impartial principles, has no influence or bearing on the freedom of trade.

* For a further discussion of this matter, see Chapter on Customs Duties.

It has been sometimes said, by those who are hostile to indirect taxes, that they are too easily imposed and augmented, and that the probability is, had the revenue been principally raised by direct taxes, that our expenditure would have been more economically administered. But this is a very doubtful assertion. The forcible objections that have been made, by high authority, to the income-tax on the very ground of its encouraging extravagance, have been previously stated (*ante*, p. 139); and the presumption would seem to be that a tax which is not assessed on the lower and most numerous portion of society, will, in the majority of cases, be more easily imposed and increased than taxes that fall indiscriminately on all ranks and orders. The latter, however, are just and fair taxes, which the other is not; and they have the further and great advantage that they embody a principle of self-correction, and cannot be carried to an undue extent. And such being the case, the facility of their imposition is a principal recommendation in their favour. If taxation has been pushed beyond its proper limits, the cause must be sought for in something else than the ease with which this has been done, in the prejudices, pride, and warlike propensities of the public, and in the errors and misconduct of successive governments. When a great national effort has, whether wisely or not, been determined upon, the question is, in what way may the necessary funds be raised with the least injury to the public? It will be afterwards shown that, notwithstanding the immense drawbacks incident to direct taxation, it should have been employed to a decidedly greater extent during the American war and the late French war; not, however, that it might have been substituted for indirect taxation, but that it might have co-operated with the latter; so that the necessity of resorting to heavy loans, and of funding so great an amount of debt, might have been partly or wholly obviated. The waste, extravagance, and mismanagement that may be found in the conduct of public affairs are beside the question. The produce of the best tax, or description of taxes, may, like

most other things, be misapplied or employed to advance improper purposes. That, however, is no reason why it should not be preferred to others. It is conceivable that a military force may be employed to establish tyranny at home; but would it be prudent, because of the bare possibility of such a contingency, to disband the army, and to trust for protection against internal faction or foreign aggression, to the ill-combined efforts of an undisciplined rabble? No wise or just government will ever raise by indirect taxes, or in any other way, a shilling more than is necessary for the public security and well-being; but the greater the facility with which this necessary supply may be raised the better.

CHAPTER II.

TAXES ON NECESSARIES AND LUXURIES.

THE influence of taxes on necessaries, or on the articles which custom renders it discreditable for the lowest classes of people to be without, differs in some important respects from the influence of taxes on luxuries, or on the articles which are not essential, or supposed to be essential, to subsistence. Both descriptions of taxes have, however, many things in common; and it frequently, or rather perhaps uniformly, happens that taxes on luxuries affect the consumption of necessaries and conversely.

It has been shown that when a duty is laid on a particular commodity, its price, in the event of no corresponding facility being at the same time given to its production, sustains an equal rise. But the ultimate incidence of the tax depends on various circumstances. Taxes on necessaries consumed by the more opulent classes are defrayed by them. But taxes on necessaries consumed by labourers have, in most instances, nearly the same influence as taxes on wages. And we have seen that when these taxes are not defrayed by greater industry and economy, though they may be advanced

in the first instance by the labourers, they are not eventually paid by them; but occasion a rise in the rate of wages, and are thus, in the end, paid wholly or in great measure by their employers.

If a tax be laid on any article forming a part of the food and clothes used by the labourer, its effect will depend partly on its magnitude, and partly on the condition of the labouring class at the time. Supposing it were only of a trifling amount and that wages were high, its effect would hardly be perceptible; whereas were it heavy, wages low, and employment scarce, the result would be different. Under such circumstances, the tax could hardly fail to impose, in the first instance at least, considerable privations on the labourers, resulting in an increase of foresight, economy, and exertion. But the economy might not be displayed in the use of the taxed article, but in that of one or more of the other articles used by the labourer. A tax, for example, on bread, or butchers' meat, or shoes, might not decrease the consumption of the article on which it was laid, but of some less necessary article, as tea, sugar, tobacco, or spirits, or it might partly affect the latter, and partly the former class of articles. And if a moderate increase of exertion sufficed to defray the tax, it might have no influence over consumption; so that it is always difficult, in so complicated a system, to say beforehand how any tax will operate. But if it should really occasion any considerable decrease of consumption, it would most probably give, at the same time, a check to population; and might thus, in the end, bring about a rise of wages.

Neither is it easy to say *à priori* how a tax on a luxury used by the poor will operate. Suppose an increased duty were laid on tobacco and gin. There can be little doubt that the consumption of these articles would be lessened. But it would not be lessened to the extent that may probably be anticipated. Those who use these articles may exert themselves a little more, and they use other things as well as them. The

probability, therefore, is that industry would be somewhat stimulated; and that more economy would be manifested in the use of other articles as well as in the use of the article which is taxed. And should the country be in an advancing state there is every probability that the labourers would sustain little or no injury from the tax, if, indeed, they were not improved by it.

It may be stated generally that the influence of taxes, whether on the necessaries or luxuries consumed by the labourers, depends very materially on the state of the country at the time when they are imposed. In thriving countries, where the population is not in excess, and there is a brisk and growing demand for labour, moderate taxes on bread and other necessaries would be but little, if at all, injurious, inasmuch as the additional foresight, industry, and economy, they would bring along with them would, in no long time, enable the labourers either to get an equivalent increase of wages, or to discharge the taxes by an increase of industry and frugality, without their making any sensible encroachment on their comforts. But in a declining society, or where the demand for labour is stationary or retrograde, taxes on necessaries would have different effects; and, if they were heavy or even considerable, they would no doubt entail serious privations on the labouring class. Under such circumstances the taxes in question would, for a while at least, fall wholly on them; and though they would, probably, discourage marriage, and add new strength to the principle of moral restraint, they would at the same time, be likely by increasing their privations and lowering their opinions of what is necessary for their decent subsistence, permanently to lower their condition. Taxes on necessaries should, therefore, be cautiously introduced, and confined within moderate limits. But when they have been introduced, and levied for a considerable period, they become, whether they be really borne by the labourers or by their employers, identified with the wages of the former, in the same way that a tax on a commodity is identified with its

cost. They are then, also, though not unfelt, in great measure forgotten by the labourers, the majority of whom are hardly, perhaps, aware of their existence.

Tea and sugar are now almost the only necessaries used by the poor which are subject to taxes. Other and more important necessaries were formerly taxed indirectly, by means of duties and restrictions on their importation. And though the influence of the late restraints on the importation of corn was greatly overrated, it is not to be denied that they added very materially to its price, especially in unfavourable seasons. The old duty of 21*s.* a cwt. on foreign butter was, also, much too high; but after its reduction in 1853 to 5*s.* a cwt., its influence over the price of the article became all but imperceptible; and such being the case, it might have been continued without injury to the public and with advantage to the revenue. This much may, also, be said of the late duty on cheese.

The admission, in 1842, on payment of moderate duties, of foreign live cattle, sheep, fresh provisions, and fish, which had previously been prohibited, was advantageous alike in a commercial and economical point of view. We confess, however, that we see no good reason why the duties laid on these articles should have been repealed. They were so moderate that they had no real influence over the cost of meat and other things when sold by retail; so that whatever revenue they afforded would have been obtained with little, if any, inconvenience to any class. We may observe by the way that, from there not being any such discrepancy between the prices of provisions in our markets and those whence they are imported as was supposed, their free importation has not had the influence over prices here that was anticipated. But it has led to a considerable importation of cattle, bacon, and other articles. And while it affords a security against any artificial rise in their price, it has prevented the clamour and agitation to which the continuance of the prohibition would most likely have given rise.

Whatever may be the influence of taxes on necessaries over wages and the condition of the labourers, their repeal, after they have been imposed for a considerable period, is, in the first instance at least, peculiarly favourable to them, provided it be not necessary to impose others in their stead. The rate of wages and the progress of population having been determined by the circumstances under which the labouring classes were previously placed, they are but little and only slowly modified by the change; so that if there be no glut of unemployed labour in the market, and no means of easily importing additional labourers, their condition is necessarily improved by the repeal of taxes. Such repeal would not, under the supposed circumstances, affect their wages. And they would, consequently, be able to buy a greater quantity of the articles relieved from the duty than previously; or, if they bought the same quantity, then they could afford to buy more of other things.

Still, however, there can be no doubt that the benefits that are commonly expected to result from a reduction of the duties on commodities are but seldom fully realized. If, indeed, the duties have been oppressive, or if they have been imposed on the raw material of some important manufacture, their repeal is all but certain to be extremely advantageous; but otherwise its influence may be inconsiderable. It may, we believe, be safely affirmed that no sensible benefit of any kind whatever has been derived from the repeal of the late duties on silk goods, laces, and sundry other articles. The duty on tea, which may be included in the list of necessaries, is certainly high; and yet it is doubtful whether any great results would follow either from its effectual reduction or even repeal. Estimating the burden which it imposes on a labourer with a family at 20*s.* a year, this sum is disbursed by little and little, during the twelvemonths, as he buys the tea in ounces, quarters of a pound, or half pounds. Supposing the duty to be repealed, he would hardly be sensible of

the change; and though he were fully aware of its extent and importance, it would merely enable him to make some small additions to his purchases of tea and sugar, or to buy them of a slightly superior quality, or both, while, perhaps, some small portion of the saving might be laid out on gin or beer, or some other article. In the case of the middle and upper classes, it is probable that the greater part of their savings would be disposed of in increased purchases of finer descriptions of tea and sugar, or other luxuries. Hence the probable result of the measure would be that, on the one hand, our trade with China would be extended, our supplies of tea be more abundant, and of a more expensive description, and a small increase take place in the demand for other articles, and that, on the other hand, we should have sacrificed 5,500,000*l.* a year of revenue. And unless we could spare the tax, that is, unless we had a free surplus revenue of equal amount when it was repealed, the measure would be productive only of injurious consequences. For, were such not the case, an equivalent amount of new taxes would have to be imposed; and, as the duty on tea is a highly eligible one, there is every probability that the public would lose more than it gained by its reduction or repeal.

Owing to corn constituting a principal part of the food of all classes, all considerable fluctuations in its price have a marked influence over the demand for and consumption of other articles. When prices rise on the occurrence of a scarcity, or other contingency, the poorer and more numerous classes endeavour, by reducing their outlays on less necessary articles, to get as much bread as possible. And it accords with universal experience, that any material rise in the price of corn is invariably accompanied by a diminished demand for butchers' meat, tea, sugar, beer, coarse cotton and woollen goods, and, in short, for all the articles which principally enter into the consumption of the lower and least wealthy classes. And it equally consists with experience that the opposite

results invariably follow when the price of corn falls; and that there is then a more extensive and brisker demand for other things. Hence the paramount importance of good harvests, or of an equable supply of corn at moderate prices, not merely to the well-being of the labourers, but to that of the manufacturers and producers generally. The distress of the latter in bad years is not owing so much, perhaps, to the increased cost of their food, as to the falling off in the demand for their peculiar products. The revenue returns may be referred to in corroboration of this statement; the excise and customs duties on the great articles of consumption being invariably most productive in plentiful years.

It is probable that in the event of the condition of the labouring class being materially improved by a reduction of taxation, their industry would be in some degree relaxed, at the same time that the number of marriages would be increased. But these are contingent and eventual results, and might be wholly or in part counteracted by other circumstances. And the influence of the supposed change would, also, depend in a very considerable degree on the previous condition of the population, and on their habits and intelligence.

Except in peculiarly flourishing countries, where there is an increasing demand for labour, the policy of laying heavy taxes on necessaries is not a little questionable. The public necessities may, indeed, be such as to require the imposition of these, or of still more objectionable taxes; but wherever it is possible, they had better be avoided. It is, however, quite different with moderate taxes on necessaries and still more on the luxuries or enjoyments of the labourer. No good objection can be made to the latter. And when they are not carried to excess, or to such a height as to defeat their object, by encouraging smuggling, they are productive of a large amount of revenue, without being, in any respect, prejudicial to the contributors. The duties on spirits and tobacco, and perhaps, also, malt liquor, are of this variety. They are paid

without being grudged, for they are identified with the cost of the articles, and the taste for these is at once strong and deeply rooted. We beg, however, to protest against being reckoned of the number of those who think it would be good policy, were it practicable, to proscribe all luxurious indulgences on the part of the lower classes. We cannot, indeed, help thinking, despite the splendid declamation of Burke to the contrary, that the taste for spirits, and even tobacco, is one of the least desirable description ; and that the indulgence in these articles, and more especially in spirits, is extremely injurious to the poor, from the serious inroad it makes on their wages, and the dissipation, idleness, and vice of which it is the prolific source. But bad as it may be, it is decidedly better that this taste should exist and become even more powerful, than that it should be suppressed without another of a preferable description being substituted in its stead. Men who, either from the pressure of taxation or any other cause, are confined to the mere necessaries required for their subsistence, are uniformly indolent, without enterprise, and without any wish to improve their condition. The enjoyment of superfluities by the lower classes is the best test of civilization, and the wish to possess them is the best incentive to industry and invention. But when the taste for them is widely diffused and engrafted, as it were, upon the habits of the people, duties, fitted to raise a large amount of revenue, may be laid on them without materially diminishing their consumption or the wish to possess them; while, by taxing the more questionable description of luxuries, such as ardent spirits, more heavily than others, the public taste may be gradually diverted into more wholesome channels. Adam Smith, no doubt, says that the trade which a workman carries on with the alehouse "is not necessarily a losing trade;"* and so long as he confines his demands within proper limits, this, perhaps, is true. But it is at all events a trade which is very apt to be, and which

* "Wealth of Nations," p. 217.

is very frequently, abused. And there is nothing more likely to prevent such abuse than the laying of duties on spirits, tobacco, opium, and all sorts of intoxicating and stupifying articles.

We are supported in our view of the influence of taxes on the luxuries of the poor by the authority of Smith: "The high price of such commodities (tobacco and spirits) does not necessarily diminish the ability of the inferior ranks of people to bring up families. Upon the sober and industrious poor, taxes upon such commodities act as sumptuary laws, and dispose them either to moderate or to refrain altogether from the use of superfluities which they can no longer easily afford. Their ability to bring up families, in consequence of this forced frugality, instead of being diminished, is frequently, perhaps, increased by the tax. It is the sober and industrious poor who generally bring up the most numerous families, and who principally supply the demand for useful labour. All the poor, indeed, are not sober and industrious, and the dissolute and disorderly might continue to indulge themselves in the use of such commodities after this rise of price in the same manner as before, without regarding the distress which this indulgence might bring upon their families. Such disorderly persons, however, seldom rear up numerous families, their children generally perishing from neglect, mismanagement, and the scantiness or unwholesomeness of their food. If by the strength of their constitution they survive the hardships to which the bad conduct of their parents exposes them, yet the example of that bad conduct commonly corrupts their morals, so that, instead of being useful to society by their industry, they become public nuisances by their vices and disorders. Though the advanced price of the luxuries of the poor, therefore, might increase somewhat the distress of such disorderly families, and thereby diminish somewhat their ability to bring up their children, it would not probably diminish much the useful population of the country." *

* "Wealth of Nations," p. 394.

There can be no question respecting the incidence of taxes on the luxuries consumed by the rich. Duties on coaches, carriage horses and hunters, packs of hounds, champagne, and such-like articles, fall wholly on those by whom they are used, and cannot be shifted to any one else. Owing, however, to the limited proportion which the more opulent bear to the middle and lower classes, duties on the luxuries principally used by the former seldom yield a large amount of revenue. Contrary, also, to what might perhaps be supposed by most persons, such duties, unless confined within reasonable limits, cease to be productive and lead to results that are always to be deprecated. It has been said, that as rich people can pay, there can be no great harm in laying heavy duties on the articles consumed by them. Duties, however, should, in all cases, be proportioned to the value of the articles on which they are laid, and not to the means of those who it is presumed will be most likely to buy them. Neither does it by any means follow that because a man *can* pay he *will* pay. On the contrary, it is found whenever articles principally used by the higher classes are loaded with oppressive duties, that they either give up using such articles, or resort to enjoy them to other countries. In illustration of this statement we may mention that "in 1767, 1,500,000*l.* were borrowed upon a duty on ladies' chip hats; the duty was made large in proportion to the value that it might be productive; the consequence was, that chip hats were discontinued, and the tax produced nothing."* The same may be said of the tax laid on hair powder in 1797; and similar results follow in the case of disproportionally heavy taxes on articles the taste for which is less fluctuating and capricious. Thus from 1821 to 1824, both inclusive, when the rate of duty on French wines was 13*s.* 9*d.* per imp. gallon, the consumption amounted to 171,838 gallons a year at an average. In 1825 the duty was reduced to 7*s.* 3*d.* per gallon; and during the subsequent four years the average annual con-

* "Eden's Letters to the Earl of Carlisle," 3rd edit., p. 119.

sumption was 360,450 gallons! In these respects, indeed, there is no difference in the practical influence of oppressive duties, whether they be laid on the articles used by the higher, the middle, or the lower classes. They are uniformly pernicious and unproductive, whereas moderate duties are as uniformly productive and innocuous, if not advantageous.

CHAPTER III.

AD VALOREM TAXES.

It was supposed, previously to the publication of the edition of "The Wealth of Nations," by the author of this work, that equal *ad valorem* duties on all commodities, by affecting them to the same extent, would not in any degree modify or change the relation or proportion which they previously bore to each other.* But though such duties would equally affect commodities, they would not equally affect the profits of their producers; and it is by the degree in which the latter are affected that the relation of commodities to each other is determined. If all classes of producers employed the same proportions of fixed and circulating capital,† then it is plain that the same *ad valorem* duty on their products, by pressing equally on them all, would have no influence over their comparative values. But this is not the actual state of things. The capital employed by one class of producers may be of the least while that employed by another class may be of the most perishable description. And even in the same class the proportions of fixed and circulating capitals, or of hand labour and machinery,

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* See Mill's "Elem. of Polit. Econ.," 2nd edit. p. 271.

† It is, of course, taken for granted that the fixed capitals are of the same degree of durability, and that the circulating capitals are returnable in the same periods.

employed by different individuals, differs widely according to the scale on which they carry on business, and a variety of other circumstances. Hence, were an equal *ad valorem* duty laid on parties so very differently situated, it would necessarily, by affecting their profits very differently, occasion a transfer of capital from one business to another, and a variation in the price of commodities, raising some and sinking others. To illustrate this, assuming that profits are 10 per cent., let it be supposed, first, that A advances 1,000*l.* in wages at the commencement of the year, and that, at its close, he receives produce in return, which must, by the supposition, be worth 1,100*l.*: second, let it be supposed that B has a capital of 11,000*l.*, vested in a highly durable machine, which performs its work without any, or with but so little help from manual labour that it may be left out of view; the annual produce of this machine being necessarily, under the circumstances, wholly, or almost wholly, made up of profits, and worth, also, about 1,100*l.*: and lastly, let it be supposed that an *ad valorem* duty of 10 per cent. is laid on all commodities. Now, it is plain, that in this case A and B will each bring, at the end of the year, produce valued at about 1,100*l.* to market, and will therefore be respectively taxed 110*l.* But only 100*l.* of the value of A's goods consists of profits, the rest being the equivalent of the wages paid to those by whom they were produced; whereas the whole value of B's goods consists of profits. Hence it is clear that, while the duty would entirely swallow up A's profits and 10*l.* of his capital, it would only take 10 per cent. of B's profits. We have purposely chosen a case which sets the unequal operation of the tax in a striking point of view; but whenever there was any considerable difference in the proportions of fixed and circulating capital employed in different businesses, an *ad valorem* duty would operate in the way now pointed out. It would, therefore, be among the most unequal and mischievous duties which could be imposed. It would cause an immediate disturbance in all the channels of

industry, and a change in the values of most descriptions of commodities. Capital would be driven from employments principally carried on by hand to those principally carried on by machinery; and while the value of the articles produced by the former would rise, the value of those produced by the latter would fall, until they were adjusted so as to yield the same rate of profit.

It may also be observed that, though the determination of the incidence of *ad valorem* duties on all articles be of considerable importance in a theoretical point of view, it can never be brought to any practical test. Such duties may be imposed with considerable fairness on some of the commodities imported from abroad. But though they were as desirable as they are otherwise, it is out of the question to suppose that they should ever be fairly assessed on the infinite variety of commodities produced within any extensive country. The greatest imaginable number of officers would not suffice either to impose or collect such duties.

Even as respects imported commodities, the obstacles in the way of assessing *ad valorem* duties are not easily overcome. It is very difficult to learn either what most articles cost or what they are worth at the present moment. If the determination of such a point were left to the importer, he might, to save the duty, undervalue the articles; while if it were left to the officer, he might overvalue them. It is sometimes the practice, when articles are entered at value and charged with *ad valorem* duties, to authorize the officers, if they suspect the articles are undervalued, to take them on account of government at the price entered, adding a reasonable profit for the merchant. But a plan of this sort is very liable to abuse, and especially to collusion between the importers and the officers Probably no *ad valorem* duty was ever so fairly assessed and easily collected as that on tea previously to the abolition of the East India Company's monopoly. All sorts of tea were then exposed to public sale in London; a duty of 96 per cent.

being charged upon such as sold under 2*s.* per pound, and of 100 per cent. on such as sold at 2*s.* per pound and upwards; so that there was no room for fraud or favouritism. But after the abolition of the Company's monopoly, when everybody might import teas into the outports as well as into the metropolis, and dispose of them at pleasure, the former system for the assessment of the duties could no longer be acted upon. And it will be seen in the sequel that the difficulties in the way of distinguishing the varieties of tea, and of assessing specified duties thereon, were either such, or alleged to be such, as to occasion the abandonment of the latter, and the imposition of the same duty on all sorts of tea.

It has often been proposed to impose *ad valorem* duties on wine; and were it practicable it would be a very desirable arrangement. There is the greatest difference in the qualities and values of different wines. And it is against all principle to subject the inferior sorts to the same rate of duty that is laid on the finest champagne and Burgundy. But, however desirable, the difficulties in the way of assessing *ad valorem* duties on wine with any degree of fairness are such that it is not very likely they will ever be overcome. It is often no easy matter to discriminate between entirely different kinds of wine, and it is still more difficult to discriminate between different varieties of the same wine. Were the attempt made, a great deal would have to be left (where nothing ever should be left) to the discretion of the officers; and there is good reason to think that the frauds thence arising would more than countervail any advantage to be derived from the adoption of the principle.

Where the practice of charging *ad valorem* duties is at all common, it is not unusual to fix an arbitrary value on most articles, and to rate the duty accordingly. But, however accurate at first, valuations of this sort become, in no long time, very wide of the mark, from the changes which are perpetually occurring in the cost and value of commodities; though as perfect accuracy in matters of this sort is unattainable, we

incline to think, wherever the differences between articles subject to *ad valorem* duties are distinctly marked, that this is the preferable plan for their assessment. The valuations might be revised every ten or twelve years, and the discrepancies between them and the real value of the goods would, in that case, be seldom very considerable. It will always, however, be found to be next to impossible fairly to assess *ad valorem* duties in the cases in which they would otherwise be most desirable; that is, in the case of articles of the same species, such as corn, wines, teas, sugars, silk goods, &c., the qualities and values of different varieties of which, though distinguished with difficulty, differ very greatly.

CHAPTER IV.

TAXES ON RAW PRODUCE.

THE question respecting the ultimate incidence of taxes on the raw produce of the soil is one of considerable nicety and difficulty. If land yielded no surplus to its possessors above the ordinary profit of the capital employed in its cultivation, the imposition of a tithe or other peculiar tax on its produce would, if not defeated by greater industry and economy, obviously occasion an equivalent increase of price. There being no reason why the agriculturists should content themselves with a lower rate of profit than is realized in other employments, as soon as a tithe was imposed they would, provided they could not meet the difficulty in the way now stated, set about transferring a portion of their stock to some more lucrative business; and this transfer would continue until the diminution of supply raised prices to their proper level, and restored the equilibrium of profit. In such a state of things tithe would evidently form an equivalent addition to the price of farm produce. But after various qualities of soil have been brought under cultivation, and rents have, in con-

sequence, been generally introduced, it is not so easy to trace the incidence and influence of tithes and other taxes on the produce of the land. They then appear to occasion a diminution of rent rather than a rise of prices. Farms that are tithe-free bring a higher rent than those which are titheable; and it is thence concluded that, were tithes abolished, the depressed rents would rise to the level of the others. For this reason tithe was long supposed to form a portion of the rent of the land of which the clergy and lay impropriators were the rightful owners, and to have no influence over prices. "Taxes upon the produce of land," says Adam Smith, "are in reality taxes upon rent, and, though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportional abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute beforehand what the church-tithe, which is a land-tax of this kind, is, one year with another, likely to amount to."*

Conclusive, however, as this statement appears to be on a first view, it is in most instances destitute of any good foundation. It has been repeatedly shown that a very considerable portion of the raw produce of all extensive countries is raised by means of capital laid out on the land in the view merely of obtaining customary profits, without its yielding any rent. It must also be observed that the cost of producing this portion of the required supply determines the price of the rest; for it is produced under the most unfavourable circumstances; and unless its producers were repaid their expenses and profits, it would not be brought to market, and a scarcity would ensue. But when a tithe is imposed, it affects, of course, the producers of this portion, in common with the

* "Wealth of Nations," p. 377.

others. Inasmuch, however, as they pay no rent, they cannot throw the burden of tithe on a landlord; and as they would not continue in their business unless they obtained the same rate of profit as their neighbours, it appears unavoidably to follow that the price of corn will rise proportionally to the tithe, which will, in that case, fall wholly on the consumers.

This last is the view that Ricardo took of the operation of tithe. But, however ingenious, the same remark is applicable to his theory as to Smith's, that it is only under certain conditions and restrictions that it is correct. It is clear, for example, that the effect ascribed by Ricardo to the imposition of a tithe depends, first, on the demand for corn or its consumption remaining about the same after it is charged with tithe as before; and, second, on the tithe being made to affect all, or nearly all, the land of a country, and on its being exacted from such foreign corn as may be imported. If either of these conditions be wanting, Ricardo's conclusions will be more or less vitiated; the tithe will not then occasion an equivalent increase of prices, nor fall wholly on the consumers.

The commutation of tithe, effected some years ago, has made the investigation of these and other questions connected with tithes of comparatively little interest. It is, however, easy to see that when corn is affected by the imposition of a tithe or other tax it will operate on it as on all other things, and be defrayed by an increase of industry on the part of the cultivators, or by an increase of price, or partly in the one way and partly in the other. If prices really rise, consumption will be more or less diminished. And it is further plain that, if (as was the case in England) a considerable portion of the land in a country * be exempted from tithe, or if foreign corn be admitted duty-free, the tithe will in the former case have comparatively little, while in the latter it will have no

* In England nearly one-fourth part of the land was wholly tithe-free, while a portion was free in part, or paid only a low modus.

sensible influence over prices; and that consequently, it will fall principally or wholly on rent.

The truth is that tithes or taxes on the produce of land are more injurious from their indirect operation, and more unpopular from the way in which they are assessed than from the magnitude of the burden which they lay on the public. They are imposed and collected in a vexatious and irritating manner, and have, in consequence, a much greater effect in discouraging industry and exciting discontent than many heavier, but more judiciously assessed taxes. Tithe is said by its apologists to have the same effect, in as far as the interests of the farmers are concerned, as an equivalent amount of rent. But this is a statement that requires much modification. Rent, when once fixed, continues the same during the currency of the lease or agreement. Though an industrious and enterprising farmer should raise ten or twenty times the quantity of produce raised by a sluggard, his rent would not, therefore, be increased; and he would reap, as he ought, all the advantage of his greater industry and intelligence. Such, however, is not the case with tithes, unless they happen to be commuted or limited to a rent certain. Where this is not the case they are invariable to the sluggard, while they become more and more oppressive to the industrious man, and increase with every fresh outlay of capital and labour. This, however, is a matter in which the interests of the landlords are still more sensibly affected than those of the tenants; all expensive improvements usually undertaken by the former being prevented till prices rise so as to yield not only the common rate of profit on the necessary outlay, but also to indemnify them for the tithe. Practically, therefore, tithe operates as a premium on idleness, and as a heavy and constantly increasing tax on industry. It obstructs the progress of improvement; and by preventing the cultivator from deriving the entire advantage of superior skill and increased exertion, discourages his efforts and contributes to render him indolent and indifferent. A farmer pays his rent willingly to the landlord; but he considers the clergyman as an interloper,

who, without having contributed in any way to raise the crop, claims a tenth part of its gross amount. The occupier of a farm subject to this galling charge seldom believes that he realizes the same rate of profit on his capital as his neighbours in tithe-free farms. Mr. Stevenson, the well-informed author of the Agricultural Survey of the County of Surrey, says that it used to be the common opinion that a farm tithe-free was better worth twenty shillings an acre than a tithed farm equally favoured in soil and situation was worth thirteen shillings. In this way, tithes contribute indirectly as well as directly to raise prices; indirectly by generating an indisposition to apply fresh capital to the improvement of the soil, and directly by the positive addition which they make to the expense of cultivating bad land.

Paley, than whom there could be no better friend to the real interests of the church, says that, "Of all institutions adverse to cultivation and improvement, none is so noxious as that of tithes. A claimant here enters into the produce who contributed no assistance whatever to the production: when years, perhaps, of care and toil have matured an improvement, when the husbandman sees new crops ripening to his skill and industry, the moment he is ready to put his sickle to the grain, he finds himself compelled to divide the harvest with a stranger. Tithes are a tax not only upon industry, but upon that industry which feeds mankind, upon that species of exertion which it is the object of all wise laws to cherish and promote."*

"Tithe," says Adam Smith, "is always a great discouragement both to the improvements of the landlord and to the cultivation of the farmer. The one cannot venture to make the most important, which are generally the most expensive, improvements; nor the other to rear the most valuable, which are generally too the most expensive, crops, when the church, which lays out no part of the expense, is to share so largely

* Paley's Works, ii. p. 105, ed. 1819.

in the profit. The cultivation of madder was for a long time confined by the tithe to the United Provinces, which, being Presbyterian countries, and upon that account exempted from this destructive tax, enjoyed a sort of monopoly of that useful dyeing drug against the rest of Europe. The late attempts to introduce the cultivation of this plant into England have been made only in consequence of the statute which enacted that five shillings an acre should be received in lieu of all manner of tithe upon madder." * In further illustration of this principle, we may mention that the cultivation of flax and hemp in Ireland never succeeded until a low *modus* had been fixed by law; since which it has made considerable progress.

Mr. Howlett, vicar of Dunmow in Essex, has made some statements in his valuable tract on tithe, which strikingly illustrate the oppressive nature of that impost when levied on expensive crops, and which also show the impossibility of its being deducted from rent. He says, it frequently happens that the tithe of an acre of hops is worth 3*l.* or 4*l.* after the charge for drying and the duty are deducted; while, perhaps, the rent of the land is not more than 40*s.* or 50*s.*; and he adds that he had known the tithe of an acre of carrot-seed worth from six to eight guineas grown on land not worth 20*s.*! † Even in the case of wheat and other corn crops the result was not materially different; the value of the tithe being, in very many instances, equal to, and frequently much greater than, the rent.

We may not, perhaps, be considered as travelling out of our way in observing that the moral seems to have been as bad as the economical influence of tithes. The clergy cannot be blamed for exacting payment of whatever portion of the produce of the land is set apart for their support; and it is ad-

* "Wealth of Nations," p. 377.

† "Inquiry concerning the Influence of Tithe," p. 3.

mitted, on all hands, that they rarely carried their claim for tithes to its full extent, and were in general less rigorous in their demands than lay impropriators. But, notwithstanding their forbearance, a provision of this sort was most objectionable. The influence and usefulness of a clergyman depend, in great measure, on his possessing the esteem and affection of his parishioners; and these he can with difficulty acquire, if his stipend consist of tithe, without the sacrifice, which perhaps he can ill afford, of a portion of his income. This was strikingly evinced in Ireland, where, however, the mischievous influence of tithes was aggravated by their being mostly paid by Catholic occupiers and cottiers to Protestant clergymen. The latter not unfrequently made great sacrifices to conciliate the good-will of their neighbours; and hence the "rate of tithe" became, according to the author of the Agricultural Survey of Clare, "a tolerable barometer of the love or dislike of parishioners. Where it is higher than usual, you may be certain of finding a turbulent divine, who will have his rights, regardless whether he is liked or disliked. If, on the contrary, tithe is moderately exacted, the love and respect of his neighbours follow of course." A system of this sort set the kindly feelings and the interest of the clergy in opposition to each other, paralyzed their exertions, and lessened their usefulness. Grattan said in the House of Commons that "the tithe system made the clergyman's income fall with his virtues and rise with his bad qualities, just as it made the parishioners lose by being ingenuous and save by dishonesty." It is difficult, indeed, to conceive how any plan could have been devised better fitted for making the clergy the unwilling instruments of endless litigation and animosities.

A just sense of the influence of tithes in obstructing improvement and producing the revolting consequences now alluded to, had long excited a general wish among intelligent persons for their commutation; and after many unavailing efforts this desirable object was effected by the Act 6 & 7 Will. 4.

cap. 71. This Act directed that the average value of the tithes in each parish, during the seven years ending with 1835, should be ascertained, and distributed into equivalent quantities of wheat, barley, and oats, which were made a fixed and invariable rentcharge upon the land; the clergy being entitled to receive the value of these quantities in all time to come, according to the current prices of the day. By this means they are liable only to fluctuations in the value of corn; and to these they would have been liable though no commutation had been effected.

Hitherto the commutation has, on the whole, worked very favourably. It is conceivable, however, that the tithe charge, being fixed in quantities of wheat and other grain, may become a serious obstacle to the conversion of the land on which it is laid to pasturage, or to the culture of crops other than corn. But if such difficulties should really occur to any considerable extent, the system may be modified so as to avert or mitigate their influence. It is always better to deal with contingencies of this sort when they arise, and when their real operation is known, than to attempt to anticipate them by *à priori* arrangements.

It has sometimes been alleged that the Commutation Act unjustly aggravated the pressure of tithe on some districts, and lessened it on others. Down, it was said, to the time of its being passed it was the practice, in all parts of the country, either to acquit the burden of tithe by a payment in kind, or by a money-payment under a special agreement with the tithe-owner. And as there is a very wide difference between the price of corn in different parts of the country, such, for example, as Kent and Essex on the one hand, and the northern and Welsh counties on the other, it is obvious that a landlord or farmer, burdened with a rentcharge of a certain number of quarters as tithe in Westmoreland, would, when free to act as he thought best, stipulate for a very different money-payment

on its account from what would have to be made for an equal amount of tithe in the Isle of Sheppey or the Isle of Thanet. But the Commutation Act has, it has been said, wholly overlooked this important difference; and, by making the prices of the corn payable to the tithe-owners depend on the average prices of the kingdom, it has materially increased the burden of the tax on the poorer and more backward districts, and diminished it on the richer and more improved. This, indeed, was said to be a main cause of the disturbances that broke out in Wales after the passing of the Commutation Act.

But notwithstanding the plausible nature of these statements, they have no solid foundation. They take for granted that the quantity of corn payable as rent by the landowner on account of tithe that has been commuted, has been determined by the quantity (and not by the value) of the produce taken as tithe in each particular case. And were such the case, the objections made to the operation of the Act in the more backward parts of the country would be perfectly well founded. But the real state of the case is quite otherwise; and as this is a matter of some difficulty and considerable practical importance, which has met with less attention than it deserves, we may be excused, perhaps, for endeavouring to set it in its true light.

We need not, however, trace the various steps indicated by the Commutation Act. It is sufficient to state that the value of the tithe payable by an estate, supposing it not to have been determined by a lease, but to have been taken in kind, was ascertained by the prices which the produce taken as tithe had brought in the nearest markets. And supposing the value of the tithe thus ascertained to be 100*l.*, this sum was divided into three equal parts of 33*l.* 6*s.* 8*d.*, each of which was converted into an equivalent in corn according to the *average prices of the kingdom* during the preceding seven years; and supposing those prices to be such that the 33*l.* 6*s.* 8*d.* would be worth 12 quarters of wheat, 20 of barley, and 24 of oats, these would be the quantities by which the rent due by the

landowner on account of tithe was to be determined in time to come.

Hence, it is easy to see there could be no injustice in converting the fixed quantities of 12, 20, and 24 quarters of wheat, barley, and oats into money according to the average prices of the kingdom. Had the value of the tithe as ascertained in the first instance been converted into equivalent quantities of wheat, barley, and oats according to the lower prices of a backward district, the quantities of corn forming the basis of the future rent to be paid to the tithe-owner would have been proportionally greater. Inasmuch, however, as these quantities were determined by the higher average prices of the kingdom, justice requires that they should be commuted by the same standard.

To illustrate this, suppose the prices in any market of Wales to be 40*s.* a quarter for wheat, while the average price of the kingdom is 50*s.*: in this case it is alleged that by taking the latter for a standard in converting the corn-rent due for tithe into money, the Welsh landowner or occupier has been made to pay 10*s.* a quarter more on account of tithe than formerly. But in making this statement it is forgotten that the quantity of corn to be converted into money was itself, as already seen, determined by the higher price of the kingdom. In the case now under consideration let it be supposed that the value of the tithe payable by an estate in Wales previously to the commutation amounted to 150*l.* a year, all legal deductions being made: this sum is, under the Commutation Act, converted into quantities of wheat, barley, and oats respectively worth 50*l.* according to the average prices of the kingdom: hence the landowner is charged with 20 quarters of wheat (20 at 50*s.* = 50*l.*) and with barley and oats in proportion. But, it is plain, had the conversion been made according to the prices of the district, the future wheat-rent would have been 25 instead of 20 quarters (25 at 40*s.* = 50*l.*), so that his position, by taking local prices for a standard, would have been neither better nor worse than it is. Whatever he might, under such circum-

stances, have gained by the lower rate at which the corn-rent would henceforth be converted into money, he would have lost an equal sum by the greater amount of such corn-rent.

But though there be no foundation for the opinion that the Commutation Act has been peculiarly injurious in the way now stated to the more backward parts of the kingdom, none need be surprised that it should have occasioned dissatisfaction. The truth is that fixed money-payments are but little suited to persons in the depressed condition of the greater number of Welsh and other poor tenants. In bad years they could formerly, if they pleased, fall back upon a payment in kind, and could higgle with the parson or other tithe-owner for a reduction of his charge. But now the sum payable as tithe is fixed and ascertained. And the remedy for recovery being simple, the burden appears to the majority of the smaller occupiers to be really augmented.

Owing also to the moisture of their climate, the Welsh, and we may add the farmers in all the western counties, had formerly in dealing with parsons and other tithe-owners a powerful resource in threatening to allow their land to "run to grass," as it is called; and when it is in grass it is of little importance to the farmer whether it be broken up a year or two sooner or later. But this resource has been cut off. The fixed corn-rent must, as already seen, be paid whether the land be in tillage or in pasture. None can now elude its pressure. In all cases it has been rendered a more constant, and in some, perhaps, a heavier burden, than formerly. But, whatever may be the defects of the Commutation Act, it must, on the whole, be regarded as eminently successful; the rent fixed under it cannot be augmented, and tithe has ceased to be an obstacle to improvements, and a source of quarrelling and litigation.

In Scotland, as in the other parts of the empire, the Romish clergy, exclusive of the large landed estates of which they obtained possession, were entitled to a tithe of the produce of

the lands belonging to others. But, at the Reformation, the estates of the clergy, and the tithes payable to them, were either seized upon or granted by the crown to certain lay proprietors, who have received the name of *titulars*. The reformed clergy, who were thus left without any fixed or legal provision, loudly condemned this appropriation of the church property; for, though they had abjured the spiritual errors of the Romish church, they either were or pretended to be fully convinced that they had an undoubted right to succeed to her revenues! And as the tithes in possession of the titulars or lay impropriators were more rigorously exacted than they had ever been by the Romish clergy, the complaints of their would-be successors were re-echoed by a large proportion of the farmers and smaller proprietors. In consequence of these complaints, and of the extreme distress of the Protestant clergy, various efforts were made to secure some provision for the latter out of the wreck of the church property, and to put a stop to the rapacious exactions of the titulars. After much fluctuating legislation on the subject, the whole matters in dispute were referred to Charles I., by whom they were finally arranged and settled, by a judgment pronounced in 1629, which was ratified by an Act of the Scotch Parliament in 1633. This statute ordained that landlords should be entitled to get their estates valued, and that the whole sum which could ever be drawn by the clergy from them should not exceed a *fifth* part of their valued free rent, and that, when once made, this valuation should not be subject to any future revision or modification. The clergy were not, however, to be entitled to the immediate or unconditional possession of the *fifth* part of the free rent of the land that was thus set apart for their maintenance, for it was remitted to a committee of the Scotch Parliament (and, since the Union, the same power has been lodged in the Court of Session), to grant the clergy such portions of this *fifth* part of the valued free rent as they might judge suitable for their support. When a clergyman has got the whole of this *fifth* part, the tithe or *teind* of his

parish is said to be exhausted, and he has no further claim of any sort on the land. This is now the case in a considerable number of Scottish parishes; and by a statute passed in 1811 (50 Geo. III. cap. 84.) a sum of about 10,000*l.* a year is given to make up the stipends of clergymen in such parishes to the very moderate sum of 150*l.* a year, exclusive of glebes and houses.*

The valuation of the rent of Scotland under which the clergy are now paid was principally executed in the reigns of Charles I. and II. Even at the time it was understood to be very low; and the subsequent rise of rent has been so very great that, instead of getting a fifth, the clergy are not at present receiving more than its *twenty-fifth* or *thirtieth* part. On a few estates which were not valued so early, the case is a little different. But we believe we are warranted in affirming that the provision for the clergy does not, in any instance, amount to a tenth part of the nett rental of the land.

At the same time that the provision for the clergy was fixed on this footing it was also enacted that all individuals who paid tithes to lay impropriators should be entitled to buy them up on paying the proprietor *six* years' purchase of their estimated annual value—a power of which the payers have universally availed themselves.

These arrangements have been productive of the greatest benefit, and have contributed, in no ordinary degree, to the advancement of agriculture. The landlords and occupiers of farms in Scotland have not been restrained from laying out capital, or making the most expensive improvements, by any fear of a clergyman or lay impropriator demanding a share of the produce. And what is of equal, and perhaps greater importance, the salutary influence of the clergy has not been in any degree weakened by the mode in which they are provided

* By a more recent statute provision was made for the building and endowing of churches in certain parts of the highlands and isles of Scotland, so that at present (1862) Government contributes about 17,000*l.* a year for behoof of the Scottish establishment.

for, and squabbling and unseemly altercations between them and their parishioners with respect to stipends, have been all but entirely unknown.

The influence of tithes and such like taxes, in countries where they are imposed, has been urged as a reason for laying equivalent duties on raw produce when brought into their markets; for, if this be not done, it is alleged that the farmers in the importing countries, having to contend with untaxed competitors, will be placed under a disadvantage, and subjected to an unfair competition. But this principle applies more to the case of manufacturers than of farmers. If, to illustrate its operation, it be supposed that a peculiar tax, say of 10 per cent., is laid on the hats produced in the United Kingdom, at the same time that those imported are exempted from duty, in such case the native hatters could hardly escape being ruined. But the free importation of untaxed foreign corn, while that raised at home is subject to a tithe, would not have the same influence over the agriculturists: for while hats, and most sorts of manufactured goods, are produced under the same, or nearly similar circumstances, corn is produced under widely different circumstances, or from lands of very different degrees of fertility. And though its importation free of duty might, and most probably would, in cases like that now supposed, reduce prices and the rents of the superior lands, its unfavourable influence over agriculture would be limited to that carried on upon the worst descriptions of land. And if the country were advancing in population and wealth, it would rather tend to make such land be more slowly taken into cultivation than to make its tillage be relinquished.

It was contended, on the grounds now stated, when the restrictions formerly laid on the importation of corn were repealed, that duties should be laid on all raw produce when imported, sufficient to countervail the peculiar burdens falling on the land. And this, no doubt, was the course which a strict regard to principle would have pointed out as just and

proper. But there were practical difficulties in the way which prevented it from being followed. It was denied that the agriculturists were more heavily taxed than the other classes; and though the converse was easily shown, it was difficult to estimate the surplus taxation falling on the land, or to say what would be a fair countervailing duty. And at what rate soever the latter might have been fixed, it would at all times have afforded a ready and convenient handle for misrepresentation and abuse; so that, on the whole, it was best to make an end of the matter by allowing the free importation of corn under a low duty.

It is, however, much to be regretted that this duty was not made considerably higher than the present merely nominal one of 1*s.* a quarter. Though it had been raised to 2*s.* 6*d.* or 3*s.* a quarter, its influence on the corn trade would not have been perceptible. It would not have taken a single bushel from the imports, nor made any sensible addition to the price of bread. That such would be the case is plain from the fact that, supposing a quarter of wheat to yield 400 lbs. flour, a duty of 3*s.* on the quarter would not amount to more than about one-third of a farthing per pound on the bread made from it. But, owing to the greatness of the importation, this low duty would have made an important addition to the public revenue. The nominal duty of 1*s.* yielded in the year ended 31st March 1862 no less than 800,846*l.* nett, and this sum might have been doubled or trebled without sensible injury to any one. Sir Robert Peel, it is understood, was inclined to raise the duty to 2*s.* or 2*s.* 6*d.*, but was deterred by a dislike to encounter the clamour it would have occasioned. But that clamour being destitute of any good foundation would speedily have died away. The duty would either have been forgotten, or it would have been admitted that it was one of the least objectionable means of raising a revenue.

Exclusive of tithes, taxes on commodities are most commonly divided into two great classes; one consisting of external

or frontier, and the other of internal duties. The first class, called in England customs duties, are principally charged on commodities brought from foreign parts, on their being imported, and sometimes, also, on native commodities when exported. The second class includes excise duties, charged on certain articles produced within the country, and intended for home consumption. Duties are also charged on the paper, parchment, or other materials required in certain writings, on licences to exercise certain privileges, to carry on certain businesses, &c.

CHAPTER V.

CUSTOMS OR FRONTIER DUTIES, OR DUTIES ON THE IMPORTATION AND EXPORTATION OF COMMODITIES.

THESE, like other duties, are usually paid by the consumers of the articles on which they are laid.

When a government imposes a duty on foreign products entering its ports, it falls, in ordinary cases, entirely on its own subjects by whom they are purchased. The circumstance of products brought from France, America, and other foreign states, being subject in England to certain rates of duty, may lessen our demand for them; but otherwise it is of no consequence to the foreigners. They sell their goods indifferently for exportation to us, or others, or for home consumption, at a price sufficient to defray the cost of their production including profits; the duties imposed on them in our ports making a further addition to their cost which is wholly paid by our people. Any one, indeed, who reflects that the duties on tobacco, spirits, and tea do not merely equal, but greatly exceed their prices abroad, will at once perceive how contradictory it is to suppose that they fall on the foreigner. For the same reason, when government lays a duty on the products which its merchants are about to export, it does not fall on them, but on those who buy the products. And, were it

possible for a country to raise a sufficient revenue by laying duties on commodities when exported, such revenue would be wholly derived from others, and it would itself be in the happy predicament of enjoying an entire immunity from taxation. This, however, is a supposition which is not destined ever to be realized. Were one state to attempt to raise a revenue by taxing exports, others would do the same; and, as the imports generally equal or exceed the exports, what was gained on the one hand, by a policy of this sort, would be lost on the other.

But when a country has any exclusive or special advantages in the production of one or more descriptions of commodities, duties on their exportation would seem, if cautiously imposed, to be among the best that can be imagined. They must not be carried to such a height as to countervail the peculiar advantages enjoyed in their production, or to diminish materially the demand for them in foreign countries.* Supposing, however, that these limitations are kept in view, they seem to be, in most respects, all that could be desired.

It may be said, perhaps, that there are either none, or but few articles of the kind now referred to. But they are a good deal more numerous than is usually supposed. And in proof of this we may specify the teas of China; the opium of Hindostan; the guano of Peru; the finer wines of France; the sulphur and olive oil of Naples and Sicily; and the coal and iron, and, perhaps, also some of the manufactured goods of England.

The Chinese lay a duty of about 1½*d.* per pound on tea when exported, and it has never been alleged that this duty has had

* These conditions are indispensable. The culture and exportation of cinnamon from Ceylon were almost destroyed by its being charged when shipped with the exorbitant duty of 3*s.* per lb., whereas 3*d.* or 4*d.* per lb. would have been a reasonable duty, and quite as much as the article would bear. After sustaining various reductions the duty was finally repealed in 1853; but, though improved, the culture of the plant and the trade in it have not yet recovered from the depressing influence of the too high export duty.

any practical influence over its exportation. It might, indeed, be safely raised to 3*d.* or 4*d.* per pound. And were the government of China as powerful as that of England or France, this would no doubt be done, and the imperial exchequer replenished by the greater duty paid by the "barbarian" tea drinkers of Great Britain and the United States.

The tax on the opium shipped from India affords an admirable example of the advantage that may sometimes be derived from taxing exports. The opium is produced under a government monopoly, the culture of the poppy being confined to Bahar, Benares, and Malwa in Central India, these being the countries best suited for its growth. Every one who chooses may raise it within the prescribed limits; but after being raised and prepared, the drug must be sold at a fixed price to the agents of government. And this price being far below the price at which the latter sell it for exportation, the difference constitutes the opium revenue, which now amounts, deducting expenses, to above 4,000,000*l.* a year, being more than the entire land revenue of Bengal! * It has been proposed to throw open the trade in opium, by allowing everybody to raise and sell it at pleasure; and it is contended that by adopting this scheme, and laying a proper duty on it when sent abroad, government would gain considerably. But without staying to inquire into the correctness of this statement, it is plain that nothing can be better fitted than opium to be subjected to a duty on being exported. It is almost all sent to China, where the consumption, which exceeds 70,000 chests a year, is said to be gradually extending. And though it be nowise incumbent on the government of India to look beyond the interests of their own subjects, yet, as opium when taken in excess is highly injurious, it is obvious that in raising its price to the point at which it will

* In 1861–62 no fewer than 70,083 chests of opium were exported from India to China; the gross revenue thence arising was estimated at 6,300,000*l.*, and the expenses at 2,100,000*l.*

yield the maximum amount of revenue, they do that which is best for the well-being of the Chinese as well as for the wants of the Indian treasury.*

The guano of Peru is another product peculiarly well suited to be charged with an exportation duty. It is a very valuable article, its fertilizing qualities rendering it of the greatest importance to most agricultural countries. And though limited supplies have been obtained from other quarters, those from Peru are so very superior that they readily sell for three or four times the price of the others. No doubt, therefore, the Peruvian government have done right in laying a duty on guano when exported. It is alleged, indeed, that this duty is too high, and that it would be more productive were it lower; and we incline to think that this is a correct statement. But whether it be so or not is of no consequence as regards the principle on which the duty is imposed. There can be no doubt of its being sound.

Though it be difficult, if not impossible, to specify another article so well suited as opium or guano to be charged with an export duty, yet there is probably no country which has not some article of the sort. The superior wines of France seem to belong to this class, and it is doubtful, supposing them to be charged when exported with an *ad valorem* duty of 10 or 15 per cent., whether the quantities sent abroad would be materially affected.

The sulphur of Sicily and the olive oil of Naples (Gallipoli) might, also, be safely treated in the same way. A vague perception of their importance to the foreigner, and their aptitude for being rendered productive of revenue, seems, indeed, to have made their exportation be frequently taxed and otherwise interfered with. But, unluckily, in dealing with them, the government for the most part acted capriciously and arbitrarily, and, therefore, mischievously; whereas, had it followed

* It is said that the opium imported into China in 1861–62 cost the Chinese 11,200,000*l.*—(Parl. Paper, No. 354, Sess. 1862, p. 76.)

an uniform plan, and systematically enforced moderate duties on their export, these would have furnished a considerable amount of revenue, without injuriously diminishing the demand for the articles.

Of late years coal has been almost the only article of British produce that has been charged with any considerable duty on exportation, and much difference of opinion has been entertained in regard to the policy of such duty. Our manufacturing prosperity being materially dependant on abundant supplies of native coal, which, though vast, are not inexhaustible, it has sometimes been contended that it is wrong, by allowing it to be exported, to accelerate the period when posterity may be reduced to difficulties by the scarcity of this invaluable mineral. We are not, however, disposed to attach much weight to these considerations. It has been sufficiently demonstrated that we have in South Wales, and other parts of the United Kingdom, a supply of coal amply sufficient to permit of the consumption being continued, on its present gigantic scale, for 800 or 1,000 years! This, therefore, is clearly a case in which it would be foolish to deny ourselves any immediate advantage to be derived from the exportation of coal, in the view of guarding against so distant an evil as the exhaustion of the mines. The fair presumption is that, long before the supplies of coal begin sensibly to decline, such improvements will have been made in the arts as will enable industrial undertakings to be carried on with a much less expenditure of fuel than is now required. But whether these anticipations should or should not be realized, we may, at all events, in deciding in regard to the exportation of coal, leave out of view, for a lengthened period, the question respecting the probable exhaustion of the mines.

Hence it is that the policy of a duty on the exportation of coal seems mainly to depend on the fact whether it be necessary, or of considerable importance to the progress of manufactures, arts, and navigation in foreign countries. If it be, then it would appear to be sound policy to endeavour to

preserve whatever superiority we derive from the possession of coal by prohibiting its exportation, or burdening it when exported with a considerable duty. But if the possession of British coal be not necessary, or of considerable importance to the foreigner, such prohibition or duty would encourage the working of foreign mines and discourage our own without yielding any corresponding advantage. It is said that it is not easy to pronounce positively in regard to this question. On the whole, however, there does not appear to be any good ground for doubting that a supply of British coal, though not indispensable, is of the greatest service to the foreigner, and enables him to prosecute with advantage undertakings in which he could not otherwise engage with the same chance of success. France has various coal mines, but their produce is inconsiderable in quantity, and is at the same time of inferior quality compared to the produce of the mines of this country. Every Englishman who has been in Paris knows that fuel is at least twice as dear in that capital as in London. And hence, notwithstanding the duties on its importation, France has for some years drawn large supplies of coal from the United Kingdom, and also from Belgium and Rhenish Prussia. And now that the duties (in part discriminating in favour of Belgian coal) on English coal have been reduced, the exports to France amounted in 1861 to 1,452,208 tons.

The produce of the Belgian and Prussian, like that of the French, is in no respect equal to the produce of the English mines; and though it were otherwise, they are too far inland to admit of coal from them coming into successful competition with ours in the markets of the world. The same remarks apply to the coal of the United States. Instead of supplying others with this valuable product, the States are themselves large importers of English coal, having taken from us in 1861 no fewer than 371,882 tons. Our exports to all parts amounted, during the course of that year, to 7,934,842 tons.

Such being the case, and considering that coal is the mainspring, the *causa causans*, of our manufacturing pre-eminence,

the repeal, in 1845, of the duty of 4*s.* a ton which was laid on it when exported, appears to have been in most respects a very unadvised measure. While the retention of the duty would not have materially affected its exportation, it would have yielded a considerable amount of revenue wholly derived from the foreigner. But British coal is, in consequence of the vast extension of steam navigation, of much more importance to our foreign rivals at present (1862) than in 1845. Indeed it is difficult to say whether it be now more valuable as a manufacturing, a nautical, or a belligerent agent. Its disposal is, consequently, a matter of great national interest. And though it would, perhaps, be wrong entirely to prohibit its export, it might be charged, when exported, with a duty of from 5*s.* to 6*s.* or 7*s.* a ton. A duty of this amount would not be innocuous merely, but advantageous; for, while it would be of service to our manufacturers, it would probably produce from 1,500,000*l.* to above 2,000,000*l.* a year.

But, whatever may be its expediency, no measure interfering with the external coal trade is any longer practicable, at least for some years to come. It has been postponed for other interests; a clause in the late commercial treaty with France has stipulated that no restriction is to be laid on the exportation of coal for ten years from its date. So that notwithstanding it were required by urgent public exigencies, we can neither avail ourselves for a lengthened period of a powerful political engine, by prohibiting the shipment of coal, nor render it productive of revenue. It is not possible at present to foretell what may be the ultimate results of this policy—of this voluntary abandonment of one of the distinguishing prerogatives of an independent nation. It, however, involves very grave considerations; but they are mostly of a character foreign to this work.

Coal, though the principal, is not the only article amongst us that might, perhaps, be subjected to a duty on exportation. The peculiar advantages we enjoy for the production of pig and bar iron, and most sorts of metallic goods, are

said to be such that they might be charged with a duty of 10 or 12 per cent. on being exported, without sensibly affecting the demand for them; and this, also, has been said to be the case with cotton stuffs and yarn. But without presuming to offer any very decided opinion with regard to the weight to be attached to these allegations, there can be little doubt that a duty on coal when exported, provided it could be imposed, would be in most respects quite unexceptionable.

These statements may suffice to show the description of articles on which export duties may be imposed, and the conditions which must be observed to render them safe and expedient. So long, indeed, as the mercantile or protective system was in the ascendant, any proposal for their imposition would have been scouted on all hands. And, since its overthrow, they have been regarded with much jealousy by most writers on finance. But when the articles on which duties are imposed are of the proper description, and the duties properly limited, there can be no better taxes, perhaps none so good.

On the whole, however, there is no great reason to think, that duties on exports will ever be made, except in a few anomalous cases, productive of any very considerable amount of revenue. Hence it is satisfactory to know that moderate duties on imports are among the most productive and least objectionable of taxes. They are collected with the greatest facility, involving no inquiry into the circumstances of individuals, as is the case with taxes on income or property; nor any interference of any sort with the processes carried on in the arts, as is sometimes the case with excise duties. By allowing imported goods to be lodged in bonded warehouses, under the joint locks of the queen and the importer, the revenue is protected without its being necessary for the importer to pay the duties till the goods are withdrawn for consumption; so that, as already stated, but little additional capital is required by the importing merchant, and little addition is

made to the price of the goods through the previous advance of the duties.

Duties on imports have not always, nor, perhaps, even most frequently, been imposed for the sake of revenue. They have very frequently been employed as means to protect native industry from the competition of foreigners. And though their influence in this respect has more of a political than of a financial character, yet as duties have often been laid on imports, partly for the one object and partly for the other, it may be as well, before proceeding farther, to dispose of those imposed, principally or in part, for the sake of protection.

The reader will not expect that in doing this we should enter into any lengthened reasonings to show the advantages of commercial freedom and the disadvantages of the mercantile or restrictive system of policy. This would be inconsistent alike with the objects and limits of this work, and it would, besides, be wholly unnecessary. It has been demonstrated, over and over again, that restraints on the freedom of commerce are uniformly adverse to the progress of real opulence and lasting improvement; and that the advantage which they sometimes confer on particular classes of persons or businesses is invariably accompanied by a more than corresponding loss to the public. Providence, by giving different soils, climates, and natural products to different countries, has evidently intended that they should mutually depend upon and be serviceable to each other. Were no artificial obstacles thrown in the way of their intercourse, every people would engage, in preference, in those employments in which they have a superiority, exchanging portions of their own produce for the products that may be more advantageously procured from others. By exciting industry, rewarding ingenuity, and employing most efficaciously the peculiar powers bestowed by nature, an unfettered commerce distributes labour as best suits the genius and capacities of different nations. It makes them acquainted with numerous productions of which they

would otherwise be entirely ignorant; and, while it gives them new tastes and new appetites, it excites the desire, and affords the means of gratifying them. Each particular people is enabled to profit by the inventions and discoveries of all the others; and the home producers, being brought into competition with foreigners, their industry and invention are stimulated, and routine is forced to give way to emulation. The division of labour is, consequently, carried to the furthest extent, the mass of necessary and useful products vastly augmented, and opulence generally diffused. To suppose, indeed, that commerce may be too free, is equivalent to supposing that labour may be too productive; that agricultural improvement may be carried to excess, and the crops rendered too luxuriant; that the objects of demand may be too much multiplied, and their price too much reduced!

Though they may bring little or no revenue into the treasury, duties imposed for the purpose of protection frequently lay heavy burdens on the public. When the importation of an article is prohibited or loaded with a high duty, the fair inference is, that it might be imported more cheaply from abroad, the prohibition and the duty being otherwise unnecessary. Now suppose, in illustration of this statement, that an article which is prohibited, or burdened with a prohibitory duty, costs the public 1,500,000*l.* a year, and that were the prohibition repealed, or the duty fixed at a moderate amount, it might be obtained for 1,000,000*l.* a year: in this case the prohibition or duty imposes on the public an annual tax or burden of 500,000*l.* It is material also to observe, that this heavy burden is not productive of any corresponding advantage. It has been said, indeed, that it adds to the demand for labour, and that, were the article imported, the parties engaged in its production would be deprived of employment. This, however, is an entire fallacy. Importation and exportation are equal and contrary. Nothing is to be had gratis from foreigners. Whatever amount of articles may be imported from abroad, an equivalent amount of native produce must be

exported to pay for them. The workpeople employed in the production of articles the importation of which has been prohibited may, perhaps, on their free importation being permitted, be obliged to change their employments. But this is all the injury they will suffer. The aggregate, or total demand for labour, is not affected by such changes. If one channel be shut up, new ones are opened, or the old ones are proportionally enlarged. The inconveniences which the transfer may occasion in the meantime are not greater than those that would be occasioned by the introduction of new processes or machinery capable of producing the same results; and while they affect only a few individuals, and are but of very temporary duration, the greater cheapness of the imported articles is a permanent public advantage, a means of enriching all ranks and orders of the community in all time to come. Hence, though a nation may, by repealing prohibitions and excessive duties, change to some extent the species of labour in demand, it will, at the same time, render it more productive, without lessening its amount. Commerce, whether carried on between individuals of the same or of different countries, is bottomed on a fair principle of reciprocity. In whatever degree an unfettered trade may lead a nation to import products from others, it will, in the same degree, render them customers for its commodities, promote its manufactures, and extend its trade.

It is further to be observed, that the mere freedom of dealing with each other does not necessarily occasion an intercourse between different places. That is a consequence of those who carry it on believing that their interests are promoted by it. If either party imagined that they would be, or were, injured by such intercourse, it would be as absolutely prevented or put an end to as if they were separated from the others by impassable mountains or morasses. And when this is the case, when it is the promotion of their own interests, and nothing else, that leads individuals to engage in commercial enterprises, what is there to fear from giving the same freedom to the intercourse with foreign countries that

is given to the intercourse between different parts of the same country? Though the trade between Spain and England were as free as that between London and Newcastle, none would engage in it, unless both the English and the Spaniards found it for their advantage to deal with each other.

The truth therefore is, that prohibitive and protective regulations and duties, if they have any effect, force capital and industry into less productive channels than those into which they would otherwise flow; and increase the cost and price of produce without in any degree increasing the demand for labour. We shall refer to one or two instances in illustration of the practical working of the protective system.

The duties on sugar form one of the most productive sources of the customs revenue; and are not only deserving of especial attention from their importance in this respect, and their influence over the condition of the people, but also from their setting the mischievous influence of the protective system in a striking point of view.

The duty on sugar from British possessions amounted, for some years previously to 1840, to 24*s.*, and afterwards to 25*s.* 2¼*d.* a cwt. (24*s.* plus 5 per cent.); the duty on foreign sugar being, during the same periods, 63*s.* and 66*s.* 2*d.* (63*s.* plus 5 per cent.). The latter was intended to be, and was, in fact, completely prohibitory. And, however objectionable in principle, so long as our foreign dependencies furnished sugar sufficient, not only to supply the markets of the United Kingdom, but to leave in addition a considerable surplus for exportation to others, the prohibitory duty on foreign sugars was productive of little practical inconvenience. Latterly, however, it became most oppressive. In consequence of the measures connected with the emancipation of the slaves, the imports of sugar from the West Indies declined from 4,103,746 cwts. in 1831, to 2,509,701 cwts. in 1843. And though, owing to the immigration of hill-coolies, and other circumstances, the exports from the Mauritius did not decline in

anything like the same proportion, and there was a considerable increase in the imports from India, they were not sufficient to balance the deficiency in the West Indian supplies. On the one hand, therefore, we had a rapidly increasing population, and on the other we had that population confined by an oppressive duty to a market for sugar in which the supply was progressively diminishing! The consequences were such as every man of sense might have anticipated from the outset. The business of refining for the foreign market, and our export trade in sugar, were all but annihilated; while the average Gazette price of muscovado sugar, admissible to the English markets, amounted during the three years ending with 1842 to more than double the price of foreign sugar in bond, of equal or superior quality! We beg, in illustration of what is now stated, to subjoin an

ACCOUNT of the QUANTITIES of SUGAR retained for Consumption, of the Nett Produce of the Duties thereon, and of the Prices of British Sugar (ex duty) and Brazil Sugar in bond, in 1840, 1841, and 1842, with the Averages for these three years.

Years.	Quantities.	Nett Revenue from Duties on Sugar.	Average Prices of British Muscovado Sugar.	Average Prices of Brazil Sugar (Brown & Yellow).
	Cwts.	£	s. d.	s. d.
1840 - -	3,594,834	4,449,070	49 1	21 6
1841 - -	4,057,628	5,114,390	39 8	20 9
1842 - -	3,868,466	4,874,812	36 11	18 3
Total -	11,520,928	14,438,272	125 8	60 6
Average of 3 years	3,840,309⅓	4,812,757⅓	41 10⅔	20 2

It appears from this statement, that while the price of British sugar (exclusive of duty) amounted, during the three years ending with 1842, to 41*s.* 10½*d.* per cwt., the price of Brazil (and Cuba) sugar was only 20*s.* 2*d.* per cwt.! And hence it follows, that had the prohibitory duty of 66*s.* 2*d.* on foreign sugar been reduced to the same rate (25*s.* 2*d.*, or 24*s.* plus 5 per cent.) as that on British sugars, the people of the United Kingdom might have bought the same quantity of sugar for 20*s.* 2*d.* that cost them 41*s.* 10⅔*d.*, that is, they

might have got more than 2 lbs. of sugar for the same sacrifice it cost them to get 1 lb. The aggregate loss to the public from this preposterous arrangement of the sugar duties has been enormous. It appears from the above account that the average consumption of sugar, during each of the three years ending with 1842, amounted to 3,840,309⅓ cwts., which, at 41*s.* 10¾*d.*, cost 8,040,646*l.* 19*s.* 4½*d.*; while, had we been allowed to go into the foreign market for sugar, we might have got the same quantity for 3,872,311*l.* 18*s.* 2½*d.*, being a saving in one year of no less than 4,168,335*l.* 1*s.* 5*d.*, and on three years of 12,505,055*l.* 4*s.* 3*d.* But it may, perhaps, be said, that had our ports been open to the free importation of Brazilian and other foreign sugars, the price of the latter would have been raised; and so, probably, it would: though, considering the vast extent and productiveness of the field from which sugar may be brought, we doubt whether this effect would have been very sensible. But, supposing that the opening of our ports had raised the price of foreign sugar from 20*s.* 2*d.* to 25*s.* a cwt., still the saving would have amounted to 3,240,260*l.* 6*s.* a year!—which consequently may be taken as the amount of the burden which the restriction on the importation of foreign sugar imposed on the country.

Under these circumstances the reduction of the duty on foreign sugars became a matter of the expediency of which no doubt could be entertained. But the reduction to be of any real utility required to be on a large scale; and there were, owing to the peculiar situation of the West Indian body, and their influence in parliament, great difficulties in the way of such a measure. These, however, were overcome; and the act of 1844, the 7 & 8 Victoria, cap. 28, reduced the duty on foreign sugar from 66*s.* 2*d.* to 35*s.* 8*d.* a cwt., leaving a discriminating duty of 10*s.* 6*d.* a cwt. in favour of our own sugars. And, the difficulties under which the planters in the West India islands had been placed by the measures forced on them in connexion with the emancipation of the slaves, and the obstacles that were thrown in the way

of their obtaining supplies of free labour from Africa and the East Indies, were such that it has been contended that the preference given them by the above statute did not greatly exceed what the justice of their case appeared to demand But whether this were so or not, it required but little discernment to foresee that a preference of this sort could not be long maintained.

Besides being embarrassed by the peculiarities in the condition of our own sugar-growing colonies, this question was further embarrassed by those incident to the condition of Brazil, Cuba, and other countries in which slavery still exists. Great Britain has, at a great sacrifice, abolished slavery in her colonies, and made every effort in her power to suppress the trade in slaves. And having done this, it was contended that in the event of her admitting slave-grown sugar to her markets, she would be acting contradictorily; and be, in fact, encouraging that slavery in Brazil, Cuba, and Louisiana, which she had suppressed, at an immense sacrifice, in Jamaica, Demerara, and the Mauritius. And, consistently with this view of the matter, the reduction of the duty on foreign sugar effected by the 7 & 8 Victoria, cap. 28., applied only to that which was produced by free labour; so that slave-grown sugar continued, in effect, to be excluded.

But, however specious, these considerations were not really entitled to much weight. The consistency of our policy could be but little affected by our conduct in this particular; and the admitting of slave-grown sugars to our markets was not a measure that could give any considerable encouragement to slavery. We observed in relation to this subject in a former edition of this work, that "The raw material of our most important manufacture has always been and continues to be almost wholly produced by slaves. And when such is the case, when Manchester, Glasgow, Paisley, Bolton, Preston, Bury, and a host of other great towns, depend principally on supplies of slave-grown cotton, it really looks more like affectation and hypocrisy than any

thing else to be so very squeamish about importing a few thousand tons of slave-grown sugar. And after all we do the very thing we pretend to deprecate. The encouragement to slavery in Cuba and Brazil consists in the purchase of their sugar, and has nothing to do with the mode in which it is disposed of. We send manufactured goods to the Havannah and Rio, and exchange them for sugar. And having done that, we carry the sugar to Hamburg and Petersburg and exchange it for wool and flax; so that we in effect transmute the slave-grown sugar into other things, and consume it under its new form. We do not employ it to sweeten our tea or coffee; but we clothe ourselves with wool and flax, manure our lands with bones, and manufacture our paper of rags, which are all bought by it. But suppose we had been a little more Quixotic, and that after getting the sugar we had thrown it into the sea, the result, as respects Cuba and Brazil, would have been the same. They have got value for their sugar. The people of England give, by buying it, all the encouragement in their power to the slavery that exists in these countries. What they shall do with the sugar is their own affair; and whether they use it, sell it to others, or destroy it, is, as far as slavery is concerned, quite immaterial. But it is by no means immaterial as respects our trade with slave-holding countries; for while this ostentatious display of mock humanity fails to excite any feeling save that of derision, the preference we give to others tempts them to lay heavy discriminating duties on our products, and to depress and embarrass our trade. And even were it as desirable as it is the reverse, it may be doubted whether it be in our power to exclude slave-grown sugar. Certificates of origin will, we apprehend, turn out to be rather a slender security for this result. But supposing them to be effectual, the consequence will be that a larger quantity of Java and Manilla sugar being consumed in England, less of it will be sent to the Continent, where, by means of our policy, a corresponding market will be opened for slave-grown sugar.

"It were really, therefore, to be wished that we should

cease to rave, as we have done for the last thirty years, about slavery; and that we should buy sugar as we buy cotton and other things without inquiring how, or by whom, it is produced. We may be assured that we should give as little encouragement to slavery by so doing as we give by our present system; while we should give considerably greater facilities to our trade."

We are glad to have to state that the legislature recognized the justness of these views. The act of 1846, the 9 & 10 Vict. cap. 63., admitted all foreign sugars, without reference to the means by which they were produced, to our markets at the same rates of duty. This statute also made sundry changes in the duties, and provided for their complete equalization on British, colonial, and foreign sugars in 1851. But this equalization was afterwards deferred by the 11 & 12 Vict. cap. 97. till 1854.

Mr. Huskisson stated in his place in the House of Commons in the debate on the sugar duties on the 25th of May 1829, that "in consequence of the present enormous duty of 27*s.* a cwt. on sugar, the poor working man with a large family, to whom pence were a serious consideration, was denied the use of that commodity; and he believed he did not go too far when he stated that two-thirds of the poorer consumers of coffee drank that beverage without sugar. If then the price of sugar were reduced it would become an article of his consumption, like many other articles, woollens for example, which are now used for their cheapness, which he was formerly unable to purchase." (Speeches, iii. 455.) This statement has been fully verified by the fall that has taken place of late years in the price of sugar, occasioned partly by the reduction of the duties, and partly by the admission of foreign sugars to our markets. In 1840, for example, under the old system, 3,594,407 cwts. of sugar were entered for home consumption. In 1846, after the old system had been a good deal modified and the duties had been considerably reduced, the entries amounted to 5,220,248 cwts. And in 1853, pre-

viously to the equalization of the duties, but when they had been still further reduced, the entries for consumption amounted to 7,487,589 cwt.

The equalization of the duties was effected in 1854; and since 1857 they have been constant at 18*s.* 4*d.* per cwt. on refined, and at 16*s.*, 13*s.* 10*d.*, and 12*s.* 8*d.* per do. on raw sugar, according to its quality. The consumption, which has continued to increase, amounted in 1861 to 8,937,362 cwt. raw, and 243,678 cwt. refined, producing a total nett revenue of 6,104,325*l.* And, though the rate of duty be high, it cannot be said to be in any degree oppressive. Were it so it would be very injurious; for a liberal supply of sugar is indispensable to the extensive use of tea, coffee, and cocoa, and without it many varieties of fruits could not be turned to the best advantage. With the exception, indeed, of corn and butcher's meat, there is no article of which an abundant supply at a reasonable price is more desirable than sugar, or which is more important to the well-being of the people and the commerce of the empire.

Independent, however, of their amount the duties on sugar have been a good deal objected to. They are imposed on an *ad valorem* principle, that is, they are rated according to the supposed qualities and value of the principal varieties of sugar brought to market. But it is alleged that this is an erroneous plan on which to assess the duties, that the inferior varieties are the result of antiquated and imperfect methods followed in the preparation of the sugar, and that the real effect of the present system is, by securing a market for the worst qualities, to prevent all improvement in their manufacture; and that to obviate this result, and give that stimulus to improvement which is so desirable, the existing scale of duties should be abolished, and a single or average duty be adopted in its stead.*

* See a very clever pamphlet on the Sugar Duties, by Henry Nelson, Esq.

But though these statements be in some respects well founded, they are not enough to justify the proposal founded upon them. The coarser and inferior varieties of sugar cost less than the superior, and, if they satisfy a portion of the public, why attempt to exclude them by charging them with a comparatively high duty? Supposing table beer and strong ale were imported, would it be just to lay the same duty per gallon on the former as on the latter? It might be said that their different qualities were occasioned by the differences of their manufacture, and that but for the unequal duties with which they were charged the quality of the small beer would be vastly improved. But its price as well as its quality would be raised, and a large class of consumers prefer having it cheap and of low quality to having it of a higher quality and of a higher price. The *ad valorem* scale of sugar duties may probably admit of an improved arrangement; but it remains to be shown that the principle upon which it proceeds can be successfully impugned. No good reason has been given for excluding the inferior varieties of sugar from the market. And it would be obviously unjust to charge them with the same duties as the superior varieties. If, indeed, it were impossible to discriminate between them, such injustice might perhaps have to be submitted to for the sake of revenue, but this not being the case it would admit of no excuse or apology.

In addition to those properly called protective, duties have been imposed that they might promote or obstruct the trade with certain countries or in certain articles. These, which have been called discriminating duties, have figured largely in the tariffs of this and most other countries. They have most commonly, perhaps, been intended as hostile measures, as engines directed against the trade or navigation of those with whom the nation that adopts them is irritated or at war. And, by annoying and seriously injuring those they were levelled at, they have, in some rare instances, effected their

object, and been afterwards repealed. But they are, notwithstanding, a very uncertain and dangerous resource; and it is but seldom indeed that they should be resorted to. Tariffs in warfare are, in truth, little less costly than armies or fleets. They are uniformly productive of pernicious consequences, either in a less or greater degree, to the party which has recourse to them, and often inflict more loss on it than on the other. They are also endowed with a very large measure of vitality; for no sooner are they adopted than capital begins to be invested, and industrial undertakings carried on under their protection; so that it becomes very difficult, when the circumstances that led to their being set on foot have passed away, to procure their abolition. The high discriminating duty laid on French wines by the Methuen treaty, negotiated in 1703, is an instance of this. Nothing could be more injurious to the national interests than that treaty (see *post*); yet, owing to the unnatural stimulus which it gave to the trade with Portugal, and the earnest support given to it by the various parties that either were or supposed themselves to be benefited by its operation, it continued, despite the denunciations of Hume and Smith, to exert its malignant influence for more than a century, or down to 1831. And such is all but uniformly the case with discriminating duties. They are easy of adoption, but their repeal is surrounded with a thousand difficulties.

The colonial trade has been the grand field for the display of the protective description of discriminating duties. But it has been repeatedly shown that their operation was injurious alike to the mother country and her descendants; and they have now happily ceased to exist.

It is proper when duties are laid on articles produced at home that equal duties should be laid on the same or similar articles when imported. These, however, are not discriminating but countervailing duties, and are as expedient and necessary as the others are, for the most part, inexpedient and unnecessary.

It is hardly necessary to state that care should be taken, in imposing customs duties, to assess them principally on articles of consumption; and that, if exacted at all, they should be made to press lightly on articles required for the successful prosecution of any manufacture or other employment which it is deemed advantageous to carry on at home. The expediency of keeping this principle steadily in view, is so obvious as hardly to require illustration. It was neglected, however, in the case of the former duties of about 3*s.* a cwt. on cotton wool, and of 1*d.* and ½*d.* per lb. on sheep's wool, which, though not in any degree oppressive, were much and, perhaps, justly objected to. It would appear from the comparatively stationary state of the woollen manufacture that of the two, the duty on sheep's wool, which was repealed in 1844, was the more objectionable. The continued extension of the cotton manufacture seems to show that it had been little, if at all, obstructed by the duty. Undoubtedly, however, it must have affected the price of the coarser and heavier descriptions of fabrics, in the production of which the foreigner had the greatest advantages on his side. And independent of this, so large a portion of our population was dependent on the cotton trade, and its prosperity was believed to be so essential to the prosperity of the empire, that the policy of charging the material with any duty, however light, could with difficulty be vindicated. This was the view of the matter taken by Sir Robert Peel, by whom the duty was repealed in 1845.

Though apparently obvious, the policy of exempting the materials of manufacture from all or any but inconsiderable duties, has been lost sight of on other occasions. Previously to 1824, for example, the duties on foreign thrown, or organzine silk, amounted to no less than 14*s.* 7*d.* per lb.; those on raw silk, from Bengal, being at the same time 4*s.* per lb.; and on silk from France, and elsewhere, 5*s.* 7½*d.* per lb. With such exorbitant duties on the material, no surprise needs be felt at the little progress made by the manufacture; or that, though foreign silks were excluded, it was generally in a languid and sickly condition. Mr. Hus-

kisson was fully aware of their pernicious influence; and in 1826, when he repealed the prohibition against importing silk goods, he reduced the duty on raw silk to 3*d.* per lb., and that on organzine to 5*s.* After being farther reduced, the former to 1*d.*, and the latter to 1*s.*, they were wholly repealed in 1845. The influence of these changes has been most beneficial. And notwithstanding the injury done the manufacture by the competition of cottons and woollens, and their substitution for silks, it has been far more improved and extended since 1826, than in the course of the previous century.

The duties on timber afford another instance in which the principle of not over-taxing the materials and means of manufacture was lost sight of; and it is not going too far to say that these duties were for many years, from their magnitude and the mode of their assessment, among the most objection able in our tariff. If, indeed, there be one article more than another of which it is of importance that a manufacturing nation, like Great Britain, with a great warlike and mercantile navy, should have a large supply of the best quality, and at a low price, that article is timber. Without good and cheap timber you cannot have good and cheap ships, houses, and machinery. Yet, singular as it may seem, we burdened for a lengthened period this indispensable article with an enormous duty. This, however, was the result rather of protective and discriminating than of fiscal considerations; for, by making the duty on timber from the north of Europe 55*s.*, and that on timber from our North American possessions only 10*s.* a load, we added largely to the price of the former, and forced the importation of the latter, notwithstanding it was less suitable for many purposes. After being successively modified in 1842, 1845, and 1851, this objectionable system was wholly abolished in 1860, when the duty on timber was reduced to 1*s.* a load, without regard to its origin. But, though unexceptionable in so far as principle is concerned, this measure made a needless sacrifice of revenue; for while a duty of 2*s.* 6*d.* or 3*s.* per load would have produced a

considerable sum, it would have been, in other respects, as unobjectionable as the 1*s.* duty.

The influence of the high duty, and other restrictions on the importation of iron into France, may also be referred to in illustration of the mischief arising from the want of respect for the principle referred to above. Everybody knows that a cheap and abundant supply of iron is indispensable to the perfecting of machinery, and to the progress of arts and manufactures. But while the government of France has been endeavouring, for many years back, to encourage manufactures, it has been, at the same time, nullifying its efforts by preventing or greatly narrowing the importation of foreign iron. The greater part of the iron produced in France is smelted by means of wood, and costs from a third to a half more than the iron smelted by pit coal in this country; and it was sufficiently certain that, while this discrepancy existed, the attempts of the French to rival us in manufactures would be little better than total failures. Instead, however, of opening their ports to the free importation of British and other foreign iron, the government of France continued, down to 1861, either to exclude it or burden it with heavy duties; and laid, for the sake of the forest proprietors, and of the owners of forges and iron-works, the industry of the country under a species of proscription, compelling the agriculturists and manufacturers to use inferior tools and machines, which cost nearly double the price of the superior articles used by their foreign competitors! Those anxious for the depression of industry in France could have wished for nothing more than that this system should be persevered in; but we disclaim being actuated by any such unworthy feeling. Her progress in wealth and civilization cannot fail to redound to the advantage of surrounding nations. It is for their interest as well as for her own that her ingenious and industrious inhabitants should be able fully to avail themselves of all the advantages of their admirable situation and varied means of production. And the reader will be glad to

learn that, by effectually reducing the duties on iron when imported into France, Napoléon III. has done the most that, probably, could be done to promote her industry.

But, however objectionable, this much may be said in explanation of the prohibitions and heavy import duties imposed in European countries, that the mercantile system of policy, of which they are the fruits, grew up in a comparatively unenlightened period, before the true principles of commercial intercourse had been elucidated; and that, notwithstanding the strenuous opposition of interested and powerful parties, many prohibitions and oppressive duties have been abolished or reduced, and a great advance made almost everywhere towards a more liberal and enlightened policy. In America it has been otherwise. The prohibitive system is there of recent origin, and did not grow up in obscurity and ignorance under the fostering shade of false theories, but in a period of general illumination, long after the "Wealth of Nations" had been in universal circulation, and every statesman in Europe had admitted the soundness of its doctrines. America has been not merely a "city of refuge" for the poor and persecuted inhabitants of the old world, but also for the exploded errors and pernicious sophisms of the mercantile school. Her tariffs and her banking system would discredit any people of the fifteenth or sixteenth century. The first has diverted industry into insecure and unproductive channels, while, by occasioning alternate gluts and scarcities of money, the latter shakes all confidence in engagements, diffuses a gambling spirit, and weakens the sense of honour and the obligations of good faith.*

* We refer to the banking system of the United States as it existed three years ago. The late proceedings of the Northern States in regard to the issue of paper money throw into the shade all former abuses of the power to make such issues. The assignats of France were taken for a while at least, in payment of the national domains. But the paper of the Northern States, the issues of which are enormous, rests on no sort of security save the proclamations of a government unable to provide even for the interest of the vast debt it is hourly contracting.

Every one at all acquainted with the condition of America, with her boundless tracts of fertile and unappropriated land, her scanty population and high wages, knows that agriculture and its immediately dependent employments will for a long series of years be the most profitable species of industry in which the bulk of her people, especially in the newly settled states, can engage. At the same time, a great variety of important branches of manufacture, suited to her peculiar situation, have been established in many parts of the Union. And these will progressively gain ground, and others will be founded without any artificial encouragement, as population becomes denser, and the advantages on the side of agriculture are diminished. But to force by means of duties and prohibitions the premature growth of manufactures, is in reality to force a portion of the industry and capital of the country into businesses in which it will be less productive than it would be were it left to seek out channels of employment for itself.

This, however, was the policy, if so we may call it, of the American legislature from 1815 down to 1846. During almost the whole of that lengthened period it was endeavouring, with more or less success, to bolster up a manufacturing interest by imposing high or protective duties on most sorts of manufactured goods. But this policy always encountered a good deal of opposition. It was, in truth, mainly set on foot for the sake of the Northern States, among which manufactures had been early established; and was generally opposed by the Southern and Western States, whose cotton and other products were principally sent to foreign markets. At length, after a great deal of wrangling, South Carolina took the decisive step of refusing to enforce the customs duties; and threatened, if coercion were attempted, to repel force by force, and to withdraw from the Union. This was a death-blow to the high duties of the old tariff. Congress now saw, what most unprejudiced persons had long anticipated, that it was necessary to recede. An act, commonly called the

"Compromise Act," was passed in 1832, which provided that certain reductions were gradually to be effected in the customs duties between that year and 1842, when they were to be mostly reduced to 20 per cent. *ad valorem*. But this act was not allowed to run its full course; for, the party in favour of high duties having acquired the ascendancy, a new tariff, framed on the protective principle, was enacted in 1842. This tariff was, however, unable to maintain its ground. And the party in favour of moderate duties, having been strengthened by the rapid increase of the Western States, and the example of England, carried, in 1846, a new and more liberal tariff.

It is needless, however, to enter into any details with regard to the former tariffs of the United States. The disruption of the Union, and the extraordinary events of the last two or three years, have led to an entirely new state of things. The Northern States, though without any good grounds, appear to be animated by a strong feeling of dislike to England; and, partly in the view of raising a revenue, but principally that they might lessen the imports of our produce, have enacted a tariff of enormously high duties. But it is hardly possible that it should outlive the peculiar circumstances to which it owes its origin. It is easy, however, to see, should it be maintained, that it will be many times more injurious to the Americans themselves than to any other people. With such high duties and such a vast frontier their markets will be glutted with smuggled products. So that, while the duties will be ineffectual to afford any protection to their own manufactures, or to replenish their exhausted coffers, they will train the citizens to despise and trample on the law, and convert smugglers into popular characters.

It appears, therefore, that we are not always, nor even generally, to estimate the pressure or influence of customs duties by the amount which they bring into the coffers of the treasury. They may, according to the mode in which they

are imposed, be oppressive without being productive, and productive without being oppressive. If they be imposed for the purpose of protection, or if, while imposed for the legitimate purpose of raising revenue, they be carried to such a height as to occasion smuggling, they may keep or take large sums out of the pockets of the people, while they add but little to the revenue. In Spain, the customs duties imposed previously to 1849,* would appear, estimated by their produce in the official accounts, to be moderate in the extreme. And yet, if we look at the overpowering stimulus which their excess gave to the practice of smuggling, which carried fraud and violence into every corner of the country, it will be found that they were really most oppressive. But, as previously stated, these are not legitimate consequences of customs duties, but originate in their wilful abuse. They should never be imposed in the view of bolstering up or protecting any branch of industry, unless in the event of its being affected by peculiar burdens; they should never be carried so high as to give an irresistible temptation to the practice of smuggling; and they should press lightly on the articles necessary for the successful prosecution of domestic industry. Provided these conditions be kept in mind in their imposition, we are not aware of any tenable ground on which customs duties can be objected to. Indeed they appear, when rightly assessed, to possess in the highest degree all the distinguishing attributes of good taxes.

Another matter connected with customs duties, that formerly was but little attended to, has latterly been brought prominently before the public, and is of the greatest importance. We allude to the question whether it be more expedient that these duties should be made to apply to a great many articles, or be confined to a few only of the principal articles

* In that year they were materially modified though they are still much too high. See "Commercial Dictionary," art. CADIZ.

It is easy, however, to see that this is a question which cannot be confined within positive limits.

Though we entirely concur with those who think that in dealing with customs duties the best plan is to assess them on a wide basis, it is nevertheless expedient that some discretion should be exercised in the selection of articles to be charged with duties. Previously to the administration of Sir Robert Peel, our customs tariff comprised above a thousand articles, many of which were quite insignificant, and all but unproductive of revenue. The abolition of the duties on these articles and of those on the materials of manufacture, with the reduction of oppressive duties on sundry articles of importance, were among the principal boons conferred on the country by that great minister. There were, however, a few instances in which he appears to have carried his principles to too great lengths, and repealed duties against which no good objection could be taken. But, whatever may be the diversities of opinion in regard to the conduct of Sir Robert Peel, those who are favourable to indirect taxes will have little difficulty in coming to the conclusion that latterly his policy has been carried to what can hardly be regarded as other than an impolitic and dangerous extreme.

At present our tariff is restricted to about forty articles, of which eleven only, viz., sugar, tea, tobacco, spirits, wine, corn, coffee, currants and raisins, timber, and pepper, are of any importance; and of the existing duties, several, such as those on beer, bread, malt, plate, &c., are intended only to countervail other duties, while some terminate, unless prolonged in the interval, on the 1st of July 1863. But, instead of being so greatly reduced, it would have been much better had the tariff continued, in respect at least of the number of articles, on the footing it was left by Sir Robert Peel, when it embraced above 400 items. Though some of those that have been since eliminated produced only small sums, this was not the case with others; and in the aggregate they would have furnished a large amount of revenue. It also often happens

owing to fluctuations of trade and fashion, that articles which may sometimes be but little in demand are much sought after at other and not very distant periods; and in such cases they yield, when they are subject to duties, a proportional increase of revenue. But it is difficult after a duty has been repealed to procure its reimposition; and, unless there be something otherwise objectionable about them, or the amount they produce be very trifling indeed, the greater the number of articles subject to customs duties the better. Lord Overstone, in his conclusive and admirable speech on the late commercial treaty with France (15th March 1860), doubts whether any valid objection can be urged to the imposition of a moderate customs duty upon all articles of import, excepting the raw materials of industry and the prime articles of food. When such duties apply to all kinds of things, it is seen that they must affect, in one way or other, every class, and, indeed, every individual, and being merged in and forming a part of the price of the articles on which they are charged, they attract little or no attention. But such will not be the case with us in time to come. Consumption duties have ceased to be general, and are now (1862) unfortunately restricted to a few leading articles, comprising some of the principal necessaries and luxuries of the labouring poor. So striking and momentous a change cannot fail to rouse the public attention; and will, it is to be feared, give rise to a belief that it is essentially partial and unfair. And such belief will be better founded than it is at all desirable it should be; for, while we admit various luxuries of the rich and the great, including the most *recherché* wines, at very low duties, and many more, comprising, among others, the finest laces, velvets, porcelain, table-cloths, carpets, silks, gloves, ornamental furniture, bronzes, and so forth, free of all charge, we lay heavy duties on the tea and sugar, which are indis-

* See some extracts from this remarkable speech in the Appendix to this work.

pensable to the labouring poor, and heavier still on the tobacco, the spirits, and the beer which constitute their luxuries. Is it to be supposed that such a policy should be considered by the bulk of the people as other than unfair and offensive? And it deserves serious consideration whether it be possible to maintain it for any very lengthened period. It may, indeed, be said that the partiality which it discovers is more apparent than real; and that, as previously shown, wages have been adjusted so as, in some measure, to compensate the poor for the high duties. But, admitting the fact to be as stated, that is no sufficient apology for the inequality of taxation; and still less for abolishing or greatly reducing the duties on almost every article specially used by the upper classes, while we keep up, and even make large additions to the enormous duties on articles principally used by the labouring poor.* A system of this sort, is sure, sooner or later, to be denounced as a scandalous abuse, a sacrifice of the interests of the poor to those of the rich. And if it have to be abandoned, its fall will greatly imperil some of the principal branches of the public revenue.†

And though the inequalities and partiality of the existing customs system were less obvious, yet, when the public attention is fixed exclusively on a few leading, and, indeed, necessary articles, it is all but certain that the duties on them, even should they be moderate, will come to be looked upon as being, in no ordinary degree, objectionable and oppressive. But were a great variety of articles, suitable for the consumption of all classes, subject to duties, there would be but little probability of the public attention being concentrated on a few only; and while they would mutually balance and equalise each other, and affect everybody, there

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* No less than 25 per cent. was added in 1860 to the already exorbitant duty on spirits. See *post*.

† See some striking and unanswerable observations on some of the topics alluded to above in the extracts from Lord Overstone's speech in the Appendix.

would be ample scope, by reducing those on some articles and raising those on others, to adjust them so as to suit the varying exigencies of the times with but little loss, if not with an increase of revenue. Hence, instead of narrowing the area of indirect taxation, the safer and better plan is to widen it, so that it may comprise every description of easily assessed and moderate duties. To give up a tax against which no overpowering objection can be urged, is, to a nation like England or France, as unwise in a financial as an abandonment of a fleet or a fortress would be in a naval or military point of view. It encourages fresh attacks of the same kind, while it lessens the ability to resist them; and, without being advantageous to any one, is almost sure to produce the most serious embarrassments and disorders in public affairs.

If a large customs revenue is to be raised by taxing a few articles, there is no option but to tax those that are principally consumed by the working classes, they only being productive of large sums. Certainly, however, it would be hazardous in the extreme to reckon upon such a system being permanent; and, in the event of an outcry being raised against it, and of the duties referred to being either repealed or greatly modified, how is the revenue derived from them to be replaced?

We are sanguine enough to think that, however brief, these statements may suffice to show the expediency of making the basis of taxation, especially as regards the great branches of customs and excise, as broad and varied as possible, or of multiplying judiciously devised and reasonable duties. Our policy in this respect should be exactly the reverse of what it has latterly been. We do not feel the pressure of the atmosphere, because it presses equally on every part of the body; and every one, in any degree familiar with gymnastics, knows that burdens which, though heavy, are properly distributed, are borne without difficulty. In like manner, a well devised system of taxation, or one that drew its supplies from a great variety of sources, would

hardly, unless it were carried beyond all reasonable limits, be felt to be in any degree injurious. But when taxation is confined to a few deep channels, they necessarily drain certain parts of the body politic more than others, and it, consequently, becomes unequal, and therefore oppressive. Few have had a better knowledge of the practical working of taxation, in this and other countries, than Arthur Young; and he was an earnest advocate of taxes on consumption, and of their extension to a great number of articles. In his travels in France, when treating of taxation in that kingdom, which, being bottomed on wholly different principles, was as ruinous as could well be imagined, we find the following paragraph, viz.:—

"The taxes of England are infinitely various; much more so than those of France, especially in the articles of excises and stamps; our taxes are also very great; in proportion to the population of the kingdom, much more than double those of France; yet, with this vast burthen, they are borne by the people with much more ease than the French nation bears less than the half. This is to be attributed not to one cause only, but to many; but amongst those causes, I believe, will be ofund this great variety of points on which they bear. The mere circumstance of taxes being very numerous, in order to raise a given sum, is a considerable step towards equality in the burden falling on the people. If I was to define a good system of taxation, it should be that of *bearing lightly on an infinite number of points, heavily on none.** In other words, that simplicity in taxation is the greatest additional weight that can be given to taxes, and ought, in every country, to be most sedulously avoided. By a system of simplicity in taxation, let it be exerted in whatever method, whether on land, on persons, or on consumption, there will always be classes of the people much lighter taxed than other classes; and this inequality will throw an oppressive burden on those

* The italics are in the original.

who are most exposed to the operation of whatever tax is chosen."*

Sir George C. Lewis having quoted this passage in the debate in the House of Commons on the budget of 1857, gave it the additional weight of his own high authority. "That opinion," said he, "though contrary to much that we hear at the present day, seems to me to be full of wisdom, and to be a most useful practical guide in the arrangement of a system of taxation." Had we kept it in view during the last few years our financial system would have been, at this moment, in a comparatively sound and healthy condition.

This concentration of customs duties on a few articles involves other considerations of the greatest importance. Moderate duties, provided they be generally imposed, that is, provided they equally affect all articles (except the raw materials of manufacture), without regard to their nature or origin, have nothing that is in any degree inconsistent with the most perfect freedom of trade. But a system like that which we have been considering, which heaps up heavy and sometimes exorbitant duties on certain articles of import, while it admits a host of other articles duty-free, or under low duties, is altogether contradictory to and inconsistent with anything like freedom. It has, in truth, all the worst features of the old protective policy, being a mere tissue of preferences and *quasi* prohibitions. By admitting large classes of articles duty-free, or at low duties, while we burden others with duties that are oppressive and sometimes well-nigh prohibitory, we do all in our power to encourage the importation of the former and to discourage that of the latter. Such a system is unjust to our own people, inasmuch as it lessens their power to select among different articles those which, if left to their own free choice, they might have been disposed to prefer; and it is also a most ungracious proceeding, or

* Vol. I., p. 596, 2nd edit.

rather an act of hostility, towards the foreigners who supply the highly-taxed articles, at the same time that it circumscribes our intercourse with them. A policy of this sort cannot be maintained without influencing and changing, to a great extent, the whole course of trade, and forcing it into artificial, and therefore less productive, channels. We are, in truth, establishing a system which involves the extremes of preference and repulsion. Under a really free commercial code all commodities would be treated alike. They would all be admitted duty-free, or be all charged with reasonable duties, so that in either case the merchants and public would be left without any interference on the part of government to determine which should be imported and made use of. But we allow no such option. We dictate the course which we wish every one to follow; and say, "if you order such and such articles, which we have resolved to patronise, you may import them duty-free, but have a care how you order other articles which we reckon less deserving of our favour, for on these you will have to pay duties of 50, 100, 300, or perhaps 400 per cent.!" And if the latter be, notwithstanding, extensively imported, it is only because they are articles which the great bulk of the people—the lower and labouring classes—regard as indispensable. It may be doubted whether it be possible to imagine a system more entirely destitute of that liberality and equality, without which there can be no freedom either in trade or in anything else. Its rise and development would not, at any time, have been an easily explained phenomenon. But that it should have been introduced and grown up consentaneously with that free-trade policy of which it is wholly subversive, is one of the most striking contradictions of which we have any account.

When a customs or excise duty is imposed on any article for which another may be conveniently substituted, it is necessary, to make the duty effectual, that it should be extended to the latter. It would not, for example, be possible to raise any

considerable revenue by taxing one variety of tea, or one variety of spice, or of sugar, or of wine, without taxing the other varieties, inasmuch as the tax, by increasing the price of the variety on which it was laid, would discourage its consumption, and encourage the consumption of the others. The substitution of chicory for coffee is an instance in point. Our readers are, no doubt, generally aware that the roots of chicory (*cichorium intybus*, wild endive), when dried and ground, bear a strong resemblance to ground coffee; and that they are extensively employed in Prussia, France, Belgium, and other parts of the Continent as substitutes for the latter. Some years since, ground chicory began to be brought into this country for the adulteration of coffee. And to prevent the loss of revenue and the frauds that its continued importation would have occasioned, it was soon after charged with the same duty as coffee.

Nothing, however, was said in the Act imposing a duty on foreign chicory respecting that raised in England, perhaps from the plant having been previously cultivated merely for its herbage. But, after the imposition of the duty on foreign chicory, its cultivation began to be carried on to a considerable extent in the neighbourhood of York, and other parts of England, the powder being chiefly used to adulterate coffee. Various efforts were made to hinder this practice, but without much effect. At length it was determined to charge the chicory raised at home with a duty, which was increased in 1862 to 11*s.* a cwt. The customs duty on foreign chicory, which is reckoned superior to that of England, was then also fixed at 12*s.* a cwt. In the year ending 31st March 1862, duty was paid on 8,361 cwts. home-grown chicory, and on 87,459 cwts. foreign ditto.

The duty on coffee being 28*s.* a cwt. it is contended that the duty on chicory ought to be raised to the same level. The substitution of the latter for the former has already reduced the consumption, and, consequently, the revenue derived from coffee; and the probability seems to be

that, unless the duties are equalized, this reduction will be carried still farther. But it is said that chicory being comparatively cheap, it would be unjust to burden it with the same duty as coffee which is more valuable; and in most cases the principle of charging commodities with duties proportioned to their values should be kept steadily in view. But chicory is not an article that, like tea, comes into fair competition with coffee. It is fraudulently substituted for the latter; and ground coffee and chicory resemble each other so much that it is idle to attempt to prevent this substitution, except by equalizing the duties. Even this would not wholly prevent it, for chicory is cheaper than coffee; but it would take away the premium on fraud given by the higher duty on the latter. And while it did this it would add considerably to the revenue which is seriously injured by the present low duty on chicory. For some further remarks on the coffee duties, see *post*.

It has been contended that, instead of subjecting home-grown chicory to a tax, the better plan would have been to have destroyed the plantations and mills, making compensation to the owners, and prohibited its future culture. But it may be doubted whether chicory be an article of such importance as would warrant the adoption of a plan of this sort. When, however, an article which yields a large customs revenue may be raised at home, it is in most cases sound policy to prohibit its cultivation. Tobacco is an instance of this. The revenue derived from it is of great importance, and the duty on it is so very high that, were its home culture permitted, it would necessarily lead to a great deal of smuggling.

Tobacco was early introduced into England; and though its cultivation was prohibited by James I., who had a horror of the drug, and Charles I., it appears to have speedily made considerable progress. The increased consumption of the tobacco brought from the plantations having soon after attracted the attention of the government financiers, a duty was

laid on it in 1643. It then, of course, became necessary to consider how tobacco of native growth should be treated; and the Lords and Commons, by whom the duty on plantation tobacco had been imposed, being aware that to make it effectual they must either prohibit the growth of tobacco at home or burden it with a corresponding duty, adopted the latter alternative. The facility, however, with which this duty was evaded soon satisfied the republican leaders that more stringent measures were required to render tobacco a prolific source of revenue; and in 1652 an act was passed prohibiting its growth in England, and appointing commissioners to see its provisions carried into effect. This act was confirmed at the Restoration, by the 12 Charles II. cap. 34., which ordered all tobacco plantations to be destroyed. These measures were believed, at the time, to have been brought about by the solicitations of the planters; but their real intention was not so much to conciliate or benefit the latter, as to facilitate and secure the collection of the revenue from tobacco. And considered in this point of view, their policy seems unexceptionable.

These measures did not, however, extend to Scotland and Ireland, in which the culture of tobacco was authorized down to a comparatively recent period. Its cultivation in the former, after being long very trifling, began about the middle of last century rapidly to increase; and various regulations were from time to time enacted for the assessment and levy on native tobacco of the same duty that was paid by the tobacco brought from the plantations. But it was again found that this could not be done, and that either the culture of tobacco at home must be suppressed or the revenue be seriously injured by the introduction of quantities into consumption which had escaped the duty. Under these circumstances the English precedent of 1652 was followed; and by carrying out the provisions of the 22 Geo. III. cap. 72., passed for the purpose, the tobacco plantations of Scotland shared the fate of those of England.

Though proscribed in Britain, the culture of tobacco continued to be legal in Ireland; and began, especially during the present century, to be rather extensively carried on in some parts of that country. But it has there, also, been suppressed by the Act 2 Will. IV. cap. 20., the vigorous enforcement of which, notwithstanding the clamour it occasioned, was highly creditable to government.*

In addition to the ordinary customs duties, there have been charged, since 1860, on all packages (these being previously reduced to what are called units of entry) on their importation a duty of 1*d.* But this petty duty is much and justly objected to. It yields little revenue to the public, while it occasions a great deal of annoyance to the merchant. It never should have had any existence, and the sooner it is repealed the better.

Before quitting this part of our subject, we may notice a statement in Lord Stanhope's Miscellanies. He says that Sir George C. Lewis had told him, that Lord Grenville had informed his father that Mr. Pitt had formed a plan, previously to the breaking out of the revolutionary war, for the abolition of all customs duties (p. 40). Lord Stanhope says that he has found nothing among Mr. Pitt's papers bearing upon such a design. And we strongly suspect that Lord Grenville must have mistaken or misinterpreted Mr. Pitt's statements. If, however, he expressed himself *bonâ fide* to the effect stated above, it would go far to show that he had but slender claims to that practical good sense for which he has got so much apparently well-deserved credit. The repeal of the customs duties necessarily involves the repeal of the excise duties; for, if the spirits, the malt, and other articles charged with excise duties may be imported

* For some remarks on the duties (1862) on tobacco, see the following chapter on the Causes and Prevention of Smuggling.

duty free, it is plain that the foreign will entirely supersede the native articles. Who would pay 10*s.* a gallon on home-made spirits, or 23*s.* 9*d.* a quarter on home-made malt, if foreign spirits or malt might be imported duty-free? Mr. Pitt was far too well acquainted with these matters not to be aware that the customs and excise duties must stand or fall together; and that it was quite impossible to abolish the former without, at the same time, abolishing the latter. And supposing both to have been swept off, how was the revenue to be raised? Mr. Pitt was strongly impressed with the expediency, and indeed necessity, of maintaining public credit. But how was this to be done without the customs and excise duties? Had he been so ill-advised as to have made and carried a proposal for their repeal, the repudiation of the public debt must have followed soon after. No tax on income or property that he could have ventured to propose, or parliament to pass, would have sufficed to make up the deficiency. When the public necessities were of the most urgent description, the income tax introduced by Mr. Pitt in 1798 produced only about 6,000,000*l.* And is it to be imagined that in a period of peace, and when there was nothing to call for such a sacrifice, he should have proposed an income tax which had not previously been heard of, for more than twice that amount? Any such supposition is too extravagant to be entertained for a moment. Even had it been practicable, the project would have been neither more nor less than a scheme to subvert all equality of taxation by making certain portions of the richer classes bear the whole, or almost the whole, amount of the public burthens! But we have already shown that all attempts of this sort, however varnished or disguised, cannot be otherwise than ruinous. And certainly Mr. Pitt was not a man to sanction, much less to originate, a scheme productive of great immediate inconvenience and injury, and which he must have known could hardly fail to terminate in bankruptcy or revolution.

Duties on imports and exports have been levied in most countries which have had any foreign commerce. The Athenians laid a tax of a *fifth*, or 20 per cent., on the corn and other merchandise imported from foreign countries, and also on several of the commodities exported from Attica.* The *portoria*,† or customs payable on the commodities imported into and exported from the different ports of the Roman Empire, formed a very ancient and important part of the public revenue. They were imposed, as Tacitus has observed, when the spirit of liberty ran highest among the people. *A consulibus et tribunis plebis institutæ, acri etiam populi Romani tum libertate.* (*Annal.* lib. xiii. cap. 50.) The rates at which they were charged were fluctuating and various, and little is now known respecting them. Cicero informs us (in ii. Ver. cap. 75) that the duties on corn exported from the ports of Sicily were in his time 5 per cent. Under the imperial government the amount of the *portoria* depended as much on the caprice of the prince as on the real exigencies of the state. Though sometimes diminished, they were never entirely remitted, and were much more frequently enlarged. Under the Byzantine emperors they were as high as 12½ per cent.‡

Customs duties existed in England previously to the Conquest. They appear to have derived their name from having been immemorially or customarily charged on certain articles when conveyed across the principal ferries, bridges, &c., within the kingdom, and on the exportation and importation of these and other articles to and from parts beyond seas. It is expressly stipulated in Magna Charta that foreign merchants shall have safe and sure conduct to come into

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* "Anacharsis's Travels," iv. p. 375. Eng. Trans. The quantity of corn usually imported from the countries on the Euxine into Athens amounted to about 400,000 medimni. See Clarke on the "Connexion between the Roman and English Coins," p. 58.

† "Huic vero propric *vectigalis* denominatio convenit, quippe pro vehendis mercibus (unde *vectigal*) soluto." (Burman "De Vectigalibus Pop. Rom." cap. v.)

‡ Burman, "De Vectigalibus Pop. Rom." cap. v.

England and to carry on their traffic without being subject to any unusual tolls, but only to the ancient and rightful customs (*antiquas et rectas consuetudines*). It is worthy of mention, that the customs referred to in this clause were let in farm, in 1202, the fourth year of King John's reign, for 1,000 marks. In 1206, the customs revenue, including the profit accruing to the king from fairs and markets throughout England, produced only 4,958*l.* 7*s.* 3½*d.**

These statements sufficiently evince the error of Blackstone † and those who suppose that the king's first claim to the customs was established in the reign of Edward I. They certainly formed a part, though an unimportant one, of the revenue of his predecessors. But that able and politic prince, by rendering the levy of the old duties more effectual, and procuring the sanction of parliament to the imposition of new duties, was the first to make the customs revenue of any very material consequence. The duties in Edward's reign, and in the reigns of his immediate successors, were principally laid on wool, woolfels (sheep-skins), and leather, when exported. These were called *magna costuma*. But, in accordance with the barbarous policy of the times, additional duties, or *parva costuma*, were laid on all articles when imported or exported by aliens. The duties of *tonnage* and *poundage*, of which mention is so frequently made in English history, were customs duties; the former being charged on wine by the tun, while the latter was a per-centage duty on other articles, the values of which were usually fixed or rated at certain specified amounts. When these duties were granted to the Crown they were denominated *subsidies*. And as the duty of poundage had continued for a lengthened period at the rate of 1*s.* per pound, or 5 per cent., a subsidy came, in the language of the customs, to denote an *ad va-*

* Chief Baron Gilbert's "Treatise on the Exchequer," App. i. p. 268; Sinclair "Hist. Pub. Revenue," i. 100; Chitty's "Commercial Law," i. 693, &c.

† Com., book i. cap. 8.

lorem duty of 5 per cent. The new subsidy, granted in the reign of William III., was an addition of 5 per cent. to the duties on most important commodities.

Owing, principally, to the vast increase of the commerce, wealth, and population of the country, but in part also to the increase of the rates, the progress of the customs duties has been quite extraordinary. The revenue derived from them in 1596, in the reign of Elizabeth, did not exceed 50,000*l.* In 1613 it had increased to 148,075*l.*, of which 109,572*l.* were collected in London. In 1660, at the Restoration, the customs produced 426,582*l.*; and at the Revolution, in 1689, they produced 781,987*l.* During the reigns of William III. and Anne, they were considerably augmented, the nett payments into the Exchequer in 1712 being 1,315,422*l.* During the war, terminated by the peace of Paris, in 1763, the nett produce of the customs revenue of Great Britain amounted to nearly 2,000,000*l.* a year. In 1792 it amounted to 4,407,000*l.*; and in 1815, at the close of the late war with France, it amounted to 11,360,000*l.* In 1861 the gross customs revenue of the United Kingdom amounted to 23,516,821*l.*, collected at an expense of 769,763*l.*, being at the rate of 3*l.* 5*s.* 5*d.* per cent. on the gross, and of 3*l.* 6*s.* 1*d.* on the nett income. And we venture to say that no equal amount of revenue was ever raised in any country or period of time with so little difficulty and inconvenience; and there are no grounds for supposing it could be so easily or advantageously raised in any other way.

The various duties were collected in a book of rates, published in the reign of Charles II.; a new book of supplementary rates being again published in the reign of George I. But notwithstanding the issue of this new book, and the improvement effected by the act 8 Geo. I. cap. 15., which relieved a great many articles of native produce from the duties with which they had been previously charged, the customs duties and regulations became towards the middle of last century extremely numerous and unintelligible. After the Revolution the practice of affixing a certain rate or value

to each article of merchandise, and charging the duty accordingly, was gradually abandoned; and the contrary practice grew up of charging the duties at so much per lb., gallon, yard, or other quantity, or at an *ad valorem* rate on their value as deduced from the invoices and declarations of the merchants. Hence the mode of assessing the duties in the second book of rates differed in very many instances from the mode generally adopted in the first. And the inconvenience thence arising was greatly aggravated in the course of time by the passing of an immense number of new acts, imposing additional duties without any reference to those already existing, sometimes in one way and sometimes in another, and frequently, also, under conditions and limitations at variance with those previously enacted. The confusion that was thus occasioned was further increased by the practice of specially appropriating the duties to certain services, and the consequent necessity of each being separately calculated from the others.

The uncertainty and embarrassment growing out of such a system may be more easily imagined than described. In Saxby's work on the customs, published in 1757, and intended to be a guide to assist merchants and others in transacting their business, the duties are classed in no fewer than *thirty-nine* principal divisions; and these again are broken down into an endless number of subdivisions, having reference to different articles, &c. Under such circumstances it was hardly possible, even for the most experienced merchants, to tell the exact amount of duty affecting any article, or the course to be followed either in entering or clearing out vessels; and they were obliged to leave it entirely to the clerks of the custom-house to state the amount of duties, and to direct them how to proceed, so as to avoid the forfeiture of their goods and ships. It would be idle to take up the reader's time by pointing out the injury which such a state of things must have done to commerce; and the opportunities it afforded for all sorts of abuse.

But, despite the magnitude of the evil, and the incessant complaints to which it gave rise, the difficulties in the way of any efficient change were so great that it continued without amendment till after the close of the American war. In 1787, however, Mr. Pitt introduced and carried his famous measure, the 27 Geo. III. cap. 13., for the consolidation of the customs duties. This was accomplished by abolishing all the then existing duties, and substituting in their stead single duties on each article, amounting, as nearly as could be calculated, to the total amount of the various duties with which it had previously been chargeable. A more simple and uniform plan was then, also, introduced for transacting business at the custom-house.

During the war, terminated in 1815, the customs duties again became very complicated; and great practical difficulty was experienced from the multiplication of the statutes relating to trade and navigation. The inconveniences occasioned by this state of things having been set forth in the Reports of a Committee of the House of Lords on Foreign Trade, in 1820, Mr. Huskisson soon after took efficient measures to have them obviated. In this view the customs duties were consolidated in 1825 by the Act 6 Geo. IV. cap. 111.; and acts were at the same time passed, consolidating and simplifying the laws relating to shipping and navigation, the colony trade, warehousing, smuggling, &c. These acts, which were drawn up with laudable brevity and clearness, were principally compiled by the late Mr. J. D. Hume of the Board of Trade, and do credit to his industry and talent for arrangement. The tariff was afterwards greatly modified and improved by Sir Robert Peel. More recently our policy has not been to adjust, modify, or improve customs duties, but to get rid of them altogether. And we have succeeded so well in this *facilis descensus* that, as already seen, the existing tariff comprises only about a dozen articles of any importance.

A RETURN showing the Gross Receipt and Nett Produce of the Customs Revenue of the United Kingdom in each Year from 1850 to 1862, with the Charges of Collection, and the Rate per Cent. of such Charges on the Gross Receipt and Nett Produce.

Years.	Gross Receipt.	Nett Produce after deducting Drawbacks, Repayments on Over-entries, &c.	Charges of Collection.	Charges of Collection per Cent.	
				On the Gross Receipt.	On the Nett Produce.
	£	£	£	£ s. d.	£ s. d.
1850 -	22,194,142	22,019,784	1,283,906	5 15 8	5 16 7
1851 -	22,373,661	22,197,075	1,290,756	5 15 4	5 16 4
1852 -	23,312,514	22,137,120	1,268,422	5 13 8	5 14 7
1853 -	22,737,284	22,515,913	1,302,721	5 14 7	5 15 9
Years ended 31st March :					
1855 -	22,245,118	21,991,675	1,236,068	5 11 2	5 12 5
1856 -	23,481,818	23,213,797	1,257,248	5 7 1	5 8 4
1857 -	23,959,523	23,488,136	1,107,554	4 12 5	4 14 4
1858 -	23,603,770	23,275,743	848,757	3 11 6	3 12 6
1859 -	24,376,109	23,998,380	838,203*	3 8 9	3 9 10
1860 -	24,789,793	24,391,064	823,231	3 6 5	3 7 6
1861 -	23,516,821	23,278,250	709,663	3 5 5	3 6 1
1862 -	23,937,772	23,698,955			

* This Return is taken, with the exception of 1862, from the Sixth Annual Report (49) of the Commissioners of Customs. The figures for 1862 are taken from the Annual Finance Book.

The returns of the cost per cent. of collecting the customs revenue differ considerably; partly from the gross revenue being sometimes taken to include the charges of collection, drawbacks, &c., and partly from changes in the items included in the costs of collection. Since 1854 the customs have been charged with the cost of the warehousing department, amounting previously to 115,000*l.* a year; and, on the other hand, the expense of the Coast-guard was transferred in 1856 from the Customs to the Admiralty. It cost, previously to its transfer, about 450,000*l.* a year; and having been charged with other duties it now (1862) costs above 700,000*l.* The facility and cheapness with which the customs duties are collected are strong recommendations in their favour.

CHAPTER VI.

INLAND DUTIES.

THESE comprise, of course, the duties laid on articles produced, or on professions or businesses carried on, or on sales or transfers effected, within the kingdom, including the duties of excise, the assessed taxes, the duties on stamped paper and parchment, licences, &c. They are now mostly under the commissioners of inland revenue.

SECTION I.—EXCISE DUTIES.*

These consist of duties on articles produced or manufactured at home and paid by the producer.

Excise duties of one sort or other have existed in all modern, and, perhaps, also, in all ancient states. A duty on salt was introduced into Rome *Anno* U.C. 547 (see *post*). And Augustus imposed a duty of one per cent. (*centesima rerum venalium*) on all articles, whether great or small, sold in public markets or by auction. Though extremely moderate, a duty of this sort could not fail, from the difficulties in the way of its assessment, its interference with the dealings of individuals, and the abuses to which it must have led, to occasion clamour and discontent. And these in no long time became so very prevalent, that Tiberius was obliged to declare that the maintenance of the army, for the support of which this tax had been appropriated, depended on its b eing continued. In the sequel it underwent various changes. It appears to be sufficiently well established that it applied only to Rome, and, perhaps, some few of the other great towns. In the smaller towns its produce would not, indeed, have sufficed to defray

* Apparently from the Latin *excidere*, the taxes being the portions excised, or cut off.

† Taciti, Annal. lib. i. § 78.

the cost of its collection. It, therefore, had at bottom a good deal in common with the *octrois* or town duties charged on commodities coming into Paris, and other great continental cities. But the defective mode of its assessment must have made it infinitely more troublesome and onerous.*

It is said that the first attempt to introduce excise duties into England was made in 1626 by a commission under the Great Seal. But Parliament having remonstrated against the measure, the commission was cancelled. This description of duties had, however, been previously established in Holland; and the large revenue which they afforded pointed them out to the leaders of the popular party in the great civil war as the most likely means by which they could raise funds to carry on the arduous contest in which they had embarked. They were, consequently, introduced by a Parliamentary ordinance, issued in 1643, which imposed duties on ale, beer, cider, and perry, and on the makers and venders thereof. The Royalists soon after followed the example set by the Republicans; though, as the duties were from the outset exceedingly unpopular, both parties took especial care to ascribe their introduction to necessity, and to pledge themselves to their abolition at the close of the war. But they were soon found to be far too productive to be voluntarily abandoned. And after the nation had been accustomed to them for a few years, and they had been considerably increased, Parliament did not hesitate to declare, in 1649, that "the impost of excise was the most easy and indifferent levy that could be laid upon the people." † And it is worthy of remark, that the regulations embodied in Cromwell's Excise Act of 1657, authorizing officers to make searches, and directing the giving of notices, &c., are very similar to those now in force.

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* Gibbon, "Decline and Fall," i. 211. ed. 1838.; Dureau de la Malle, Economie Politique des Romains, ii. 459, &c.

† Blackstone, book i. cap. 8.

The same reasons that made the excise be continued down to the Restoration secured its existence subsequently to that epoch. A portion of its produce was, at the same time (*see ante*), assigned in perpetuity to the crown, in compensation for its relinquishing the hereditary revenues arising from wardships and other feudal prerogatives which were then abolished. And, notwithstanding Blackstone says, that "from its first original to the present time its very name has been odious to the people of England,"* it since continued, down to a recent period, progressively to gain ground; and has for a lengthened series of years furnished a large portion of the public revenue.†

It is probable, that the prejudice to which Blackstone alludes, did not originate so much in any dislike to the duties themselves, as in the peculiar circumstances connected with their imposition. Originally they were let in farm, which is always a most unpopular proceeding. And till within these few years there was hardly a single duty the assessment of which was not made the subject of numerous lengthened, obscure, and contradictory statutes, so that it was hardly possible for any trader, however desirous to comply with the law, to avoid getting into serious scrapes. The duties being frequently, also, carried to an oppressive extent, smuggling was practised; and when a party was prosecuted, whether for an intentional or unintentional infraction of the law, or for attempting to defraud the revenue, the case might be laid before judges

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* Com., *ubi suprà*.

† Johnson's prejudice against the excise is well known. In his Dictionary he has gone so far as to define it "A hateful tax levied upon commodities, and adjudged not by the common judges of property, but wretches hired by those to whom excise is paid." Murray (afterwards Lord Mansfield), then Attorney-General, being consulted by the Commissioners of Excise, whether this definition was a libel, and, if so, whether the author might be proceeded against, answered. "I am of opinion that it is a libel. But, under all the circumstances, I should think it better to give him (the author) an opportunity of altering his definition; and in case he do not, to threaten him with an information." No farther steps appear to have been taken in the matter, and Johnson did not alter the definition (Croker's edition of "Boswell's Life of Johnson," p. 97. ed. 1848.)

(without the intervention of a jury) in whose decision the public had little confidence. No wonder, therefore, that the excise should have been unpopular. But the obnoxious practice of letting the duties to farmers has been long abandoned; and of late years the laws and regulations connected with their assessment have been much simplified. In this respect, indeed, nothing should be omitted to render the rules for assessing the duties brief, level to the comprehension of every one, and calculated to interfere as little as possible with the details and processes of manufacture. And, supposing their assessment to be sufficiently simplified, and that they are of a reasonable amount, but little objection can be made to the duties because of the summary jurisdiction exercised by the commissioners and justices. On the contrary this practice has some material advantages. When parties are prosecuted in the Court of Exchequer for offences against the revenue, their case is, of course, submitted to a jury. But in this court as in others, delays frequently take place, and the expenses are always very considerable; whereas in cases of summary jurisdiction, or those adjudged by the commissioners and justices, there is little or no delay and little or no expense. And considering that all parties who fancy themselves aggrieved by the decision of the commissioners are entitled (4 Vict. cap. 20. s. 26.) to appeal, at a very trifling cost, to a Baron of Exchequer, who rejudges the case; while those who suppose themselves aggrieved by a sentence of the justices may appeal to the quarter-sessions (7 & 8 Geo. IV. cap. 53. s. 82.), there really appears to be more to approve than to object to in the summary jurisdiction.

The excise duties formerly imposed on salt, leather, candles, beer, glass, soap, paper, and other less important articles, have been repealed within these few years. And there is not one of the existing duties, now but few in number, which can be fairly objected to on principle, or for its injuriously interfering with the manufacture, or being too high. Whatever may have been the case formerly, the excise is now fully entitled to

the eulogium passed upon it by Arthur Young. "Excises are by much the fairest, most equal, and least burdensome of all taxes. They are paid voluntarily. Not a shilling is contributed, but in proportion to the free consumption. The Dutch, who have been deservedly esteemed the wisest nation in Europe, in all matters of taxation, have been enabled to preserve their industry under burdens of which we have no experience and scarcely any conception, principally by their having adopted this mode of taxation." * We subjoin an

ACCOUNT of the Quantities of the Articles charged with Excise Duties in England and Wales, Scotland, and Ireland respectively, for the Years ending the 31st March 1861 and 1862, with an account of the Duties on such Articles.

Articles charged.	QUANTITIES CHARGED.							
	1861.				1862.			
	England.	Scotland.	Ireland.	United Kingdom.	England.	Scotland	Ireland.	United Kingdom.
Spirits - Gallons	9,506,002	5,816,835	4,822,967	20,147,834	8,891,635	6,124,643	4,929,572	19,945,840
Malt - - Bushels	33,694,950	1,554,658	2,119,108	37,368,716	41,314,250	1,727,936	2,513,760	45,555,946
†Hops - - lb.	11,162,777	- -	- -	11,162,777	22,952,087	- -	- -	22,952,087
†Paper - - lb.	170,926,934	49,069,040	9,506,890	229,502,864	69,953,625	22,010,913	3,464,469	95,429,007
Race Horses (England) Number - - -	1,622	- -	- -	1,622	1,807	- -	- -	1,807
Railways - - £	6,787,330	591,696	- -	7,378,955	6,782,074	587,616	- -	7,369,690
Licences - Number	652,572	59,847	87,171	799,590	663,417	61,427	87,565	812,409
Hackney Carriages, London - No.	5,977	- -	- -	5,977	6,215	- -	- -	6,215
Stage Carriages No.	3,078	357	- -	3,435	2,961	349	- -	3,310
Chicory - cwts.	7,819	- -	- -	7,819	8,361	- -	- -	8,361

Duties.	AMOUNT OF DUTY CHARGED.							
	£	£	£	£	£	£	£	£
Spirits - - -	4,469,740	2,759,781	2,269,980	9,490,581	4,445,817	3,063,823	2,464,787	9,972,927
Malt - - -	4,569,584	209,057	287,182	5,065,823	5,603,244	233,696	340,744	6,176,686
†Hops - - -	69,767	No duty charged.	- -	69,767	142,700	- -	- -	142,700
†Paper - - -	1,121,707	322,015	62,388	1,506,110	459,070	144,446	22,735	626,251
Race Horses (England)	6,244	- -	- -	6,244	6,957	- -	- -	6,957
Railways - -	339,366	29,581	No duty	368,947	339,103	29,330	- -	368,433
Licences - -	1,339,464	144,323	140,049	1,623,836	1,356,229	146,028	140,036	1,642,286
Sugar (Home made) -	—	—	—	—	—	—	—	—
Hackney Carriages, London - - -	87,885	- -	- -	87,885	91,780	- -	- -	91,780
Stage Carriages - -	118,159	9,594	No duty	127,753	117,068	9,350	- -	126,418
Chicory - - -	1,172	- -	- -	1,172	3,553	- -	- -	3,553
TOTAL -	12,123,088	3,465,281	2,759,479	18,347,848	12,573,134	3,624,205	2,968,302	19,165,641

† Duties repealed.

* "Political Arithmetic," part ii. p. 46. See also the same author's "Travels in France," i. 587.

It has been objected to the excise duties that they "greatly raise the cost of subsistence to the labouring classes;" but a glance at the above table shows that this assertion has no foundation. Of the sum of 18,389,690*l.* revenue produced in the United Kingdom in the year ended 31st March 1862, (deducting 775,951*l.* for hops and paper repealed), the duties on spirits, malt, and licences produced no less than 17,792,499*l.* In fact the only excise duty which could, of late years, be said to fall on a necessary was that on soap, which produced, previously to its repeal in 1853, about 1,100,000*l.* a year, being little more than 1*s.* a year on each individual.

Malt and Beer.—The duty on malt has been for a lengthened period the most productive, spirits excepted, of the excise duties. It was first imposed in England in 1697, and in Scotland in 1713; but it was not introduced into Ireland till 1785. Malt liquor having early become the favourite beverage of the people of England, it might have been supposed that the consumption of malt would have increased according to the increase of the population. Such, however, has not been the case; and it is a curious fact that the consumption of malt in England and Wales varied but little from the first imposition of the duty down to 1830, though the population had, in the interval, increased from about 5,135,000 to 13,840,751. This singular result may safely be ascribed to a variety of causes, of which the increase in the duties on malt and beer (which last was substantially a duty on the malt used in breweries) had, no doubt, a very considerable influence. We question, however, whether the stationary consumption of malt, during the greater part of the 18th century, was owing so much to this as to other causes. In corroboration of this surmise we may observe that, though the duty on malt continued stationary at about 6¼*d.* a bushel down to 1760, and at about 9¼*d.* from that period down to 1779, and the beer-duty also continued stationary from 1697 to 1750,* the con-

* Hamilton's "Principles of Taxation," p. 8.

sumption did not sensibly vary during all this lengthened period, notwithstanding the considerable increase of wealth and population. Probably, therefore, the stationary consumption of malt, down to the close of the American war, is principally ascribable to the great change that had taken place since the beginning of the century in the tastes and habits of the middle and upper classes through the introduction of tea and coffee. Perhaps, also, something is to be ascribed to the increased consumption of spirits by the lower classes; though there can be no doubt that this increase has been exaggerated.

But whatever may have been the former influence of the duty, the oppressive extent to which it was latterly carried, coupled with the increased price of barley and the increased amount of the beer-duty, had the most powerful effect in checking the consumption of malt and beer. After various previous additions the duty on malt was raised in 1804 to 4*s.* 5¾*d.* per bushel, or 35*s.* 10*d.* a quarter, the beer-duties being then also raised to 10*s.* per barrel; and as a quarter of malt produced about three barrels of beer, it follows that the duty on malt used in breweries really amounted at that period to about 65*s.* 10*d.* a quarter! The duty continued at this exorbitant rate till 1816. And it is an extraordinary fact, that during the twelve years ending with 1816 the consumption of malt amounted at an average to only 23,197,754 bushels a year, being 993,550 bushels less than its average annual consumption during the twelve years ending with 1720, notwithstanding the prodigious increase of wealth and population in the interval! The tax had, in truth, been completely overdone; and besides hindering the consumption of malt and malt liquors, it had the mischievous effect of vitiating the public taste and stimulating the consumption of ardent spirits, especially of those made from raw grain. In 1816, however, the duty on malt was reduced to 2*s.* 5*d.* a bushel; and since 1823 it has amounted to 2*s.* 7*d.*, plus 5 per cent. the imperial bushel, or to 21*s.* 9*d.* a quarter; and the beer-duty having been abolished in 1830, the duty on malt

has been (with the exception of that on hops) the only duty with which malt liquor has since been affected.

We do not think, notwithstanding its influence over agriculture, that the existing malt-duty is open to any good objection. It is neither excessive in amount, nor oppressive or troublesome in the mode of charge. The increase in the consumption of malt since 1830 shows that the duty no longer prevents the people from obtaining increased supplies of their favourite beverage. And as it falls on what is a luxury rather than a necessary, is collected with little difficulty and expense, and yields a large revenue, it would seem to be a decidedly good tax.

It is needless, perhaps, to say that the malt-tax, like other taxes on commodities, falls wholly on the consumers. It must, however, be admitted that in its indirect operation it is especially hostile to the agriculturists. Barley is a crop which is peculiarly suitable to light lands, and may be introduced with the greatest advantage, in an improved rotation, after turnip and other green crops. But it is obvious that, by imposing a duty of 21*s.* 9*d.* a quarter on malt, the produce into which barley is almost wholly converted, the demand for the latter is materially diminished; and that the farmer may, in consequence, be, and no doubt frequently is, prevented from sowing barley, when, but for this circumstance, it might be more suitable than any other variety of corn. It is not easy to estimate the injury which this indirect influence of the tax inflicts upon agriculture, but of the fact of its being injurious there can be no doubt. Suppose such a high duty were laid on bread as should lessen the demand for wheat, some 10, 20, or 30 per cent., would any one presume to say that it was not especially inimical to agriculture? Or, supposing that a high duty were laid on calicoes or broad cloths, is it not clear that, though paid by the consumers, it would be especially injurious to the manufacturers affected by it?

A duty of 3½*d.* per square yard was, in fact, imposed previously to 1831 on all printed cottons, which, like the duty on

malt, fell directly on the purchasers. But it was, notwithstanding, shown that it was highly prejudicial to the producers; that it narrowed the market for their goods, and tended in no ordinary degree to paralyse their energies. In consequence of these well-founded representations the duty which produced above 600,000*l.* a year nett, was repealed in 1830. And the subsequent increase of the trade has sufficiently justified this sacrifice of revenue.

The case of the malt-duty is precisely analogous. Most part, indeed, of the statements that were made to show the pernicious influence of the duty on printed cottons over the manufacture might, *mutatis mutandis*, be applied to illustrate the influence of the malt-duty over agriculture. But as we cannot afford to lose the revenue derived from the latter, it were idle to talk of its repeal. Its reduction even would be most unwise. Indeed, it is now only 3*s.* 9*d.* a quarter above what Adam Smith proposed to raise it to in 1776, in the event, which has taken place, of the duty on beer being abolished.* The malt-tax is, in truth, one of the very best of the existing taxes; and it is one of those which, in the event of any considerable increase of revenue being required, may be most advantageously raised. We do not mean by this to undervalue its sinister effect upon agriculture, but where is the tax, fitted to produce above *six* millions a year,† against which some weighty objections may not be urged?

It was contended, when the corn-laws were abolished, that the influence of the malt-duty over agriculture required to be countervailed by a duty on barley when imported. And such duty ought, no doubt, to have been imposed, had the equity of the case been the only thing to be regarded. But it would have been all but impossible to estimate the correct amount of such a duty. And as it would have given rise to perpetual cavilling, the adoption of a free system of

* "Wealth of Nations," p. 402.

† 6,029,371 nett in the year ending 31st March 1862.

importation was, on the whole, the best course to follow; indeed it was the only one that was practicable.

The acts imposing the malt-duty, and directing how it should be assessed and collected, were some time ago exceedingly numerous, complex, and contradictory; so much so, indeed, that it was hardly possible for the most expert trader, however honest, to avoid subjecting himself to penalties. These defects have been, however, to a great extent, obviated by consolidating and simplifying the law. Still, however, the Malt Act is very lengthened, and might, perhaps, be advantageously shortened and otherwise improved.

The beer-duty, besides being, when added to the malt-duty, oppressively heavy, was in the last degree partial and unjust. It affected only the beer brewed for sale by public brewers, that brewed by private parties for their own use being exempted from its operation. And hence it fell wholly on the lower and middle classes, who did not brew any beer, while the nobility and gentry, who had brewing establishments, escaped it altogether! That such a distinction should have been made and submitted to for any considerable period may appear not a little surprising. Originally, however, the practice of private brewing was comparatively general; and the beer-duty, being at first confined within moderate limits and slowly increased, the force of habit reconciled the parliament and the country to its inequality and injustice. But the public attention having been at length forcibly attracted to the subject, and the influence of the exorbitant duties on malt and beer in increasing the consumption of ardent spirits clearly pointed out,* the beer-duty was repealed, as already stated, in 1830. This measure did honour to the administration of the Duke of Wellington; which was also entitled to the credit of having put an end to the old licensing system and established, for the first time, something like a free trade in beer.

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* See "Edinburgh Review," No. 98, art. iv.

We should here, perhaps, have given some explanations in regard to the duties on spirits, which, along with those on malt, are now the only remaining excise duties of any importance. But, as the history of the spirit duties affords in all its stages conclusive examples of the advantages of moderate and the disadvantages of too high taxes, we shall treat of them in a subsequent part of this work, or in the Chapter on the Comparative Productiveness of High and Low Duties. We now proceed to offer a few remarks on some of the taxes we have recently repealed. It is far from improbable that some of them will be again revived; and whether this should be so or not, their history is too important not to be briefly noticed.

Paper.—Previously to 1836, paper was charged with a duty of 3*d.* per lb. on the best, and 1½*d.* per lb. on the secondary descriptions, provided the latter "were wholly made of tarred ropes, without the tar being previously extracted." The higher rate of duty, which affected all sorts of paper used for printing and writing, varied from about 20 per cent. *ad valorem* on the finest, to above 100 per cent. on the coarser descriptions. The tax on inferior or wrapping paper was also in so far objectionable, that by preventing it from being made, except from one sort of material, the price of the latter was raised to an unnatural elevation, and the improvement of the manufacture much obstructed. A strong temptation and great facilities were, at the same time, given to smuggle, by substituting the lower sorts of the superior for the secondary descriptions of paper. Happily, however, this preposterous system was abandoned in 1836, when the duty on all varieties of paper was reduced to 1½*d.* per lb., leave being also given to make them of any description of article. The duty was thus rendered as moderate and was as fairly assessed as could well be desired. There being no longer any possibility of evading a portion of the duty by passing off a superior for a lower paper, the vexatious surveillance formerly exercised by the excise was almost entirely got rid of. And greater

scope being given to enterprise and exertion, a considerable improvement was effected in the manufacture and the price of paper reduced.

The duty on paper used in printing being paid before it was known whether the books on which it was imposed would sell, occasionally inflicted a peculiar injury on authors and publishers. But the hardship in question was of little practical consequence; and the statement so frequently put forward, that taxes on paper were really taxes on knowledge, was but a sorry specimen of clap-trap. In proof of this it may be mentioned that the duty on a copy of a double sheet of *The Times* was about a farthing; on a number of the "Edinburgh" or "Quarterly Review," which sells for 6*s.*, it was only 2*d.*; on a volume of "Macaulay's History of England," which sold for 16*s.* or 18*s.*, the duty did not exceed 3*d.*; and on the "Commercial Dictionary," which is a very large volume of more than 1,500 pages, and selling at 50*s.*, the duty was only about 7*d.* It was idle, therefore, to pretend that the duty on paper was any serious obstacle to the sale of literary works, or to suppose that they would be cheaper were it abolished. And, in point of fact, no reduction of their price has taken place since its abolition. Books are as dear at present as at any former period. The price of some of the more expensive newspapers has been reduced, but the lower priced or penny journals continue at that rate without any visible improvement having been made in the quality of the paper on which they are printed. Their publishers, however, with the publishers of books, and the grocers and others who use paper in the wrapping up of parcels, have been the great gainers by the abolition of the duty. For, while they buy their paper at a less cost, they all, or very nearly all, sell the articles in which they deal at the same prices as formerly.

And hence it follows that the only advantage resulting to the public from the repeal of the paper-duties consists in the lower price at which they may buy the paper used in

letter writing. And this is so very inconsiderable as to be in the great majority of cases next to inappreciable.

But, though it be obvious that the duty was but little objectionable, the fact of its being imposed on an article used in writing and printing afforded a convenient handle for declamation and invective, of which those who supposed they would gain by its abolition were not slow to avail themselves. An association was set on foot to effect a repeal of the duty, and recourse was had to the agitation and arts usual on such occasions. And yet the unsatisfactory state of the revenue, there being a considerable deficiency notwithstanding the existence of a heavy income-tax, might, one would have thought, have been sufficient to make a duty, which produced (in 1859) 1,429,491*l.* of nett revenue, be prolonged till the finances were in a more satisfactory condition. Such, however, was not the case; and though, in 1860, the Lords threw out a bill for the repeal of the duty, the measure, being tacked to others, was carried in the course of the ensuing year.

It is not meant by anything now stated to contend that the paper-duty was so far different from other duties as not to be in various respects objectionable, or that it might not have been very properly repealed had the revenue, without the aid of an income-tax, considerably exceeded the expenditure. But, in the circumstances under which it took place, its repeal was a measure of which it seems not a little difficult to vindicate the policy.

Soap.—The duties on soap, originally imposed by the 10 Anne, cap. 12., were much objected to, though probably, in some respects, without sufficient reason. Formerly, indeed, they were quite exorbitant. The direct duty charged on hard soap, which is by far the most extensively used, amounted, previously to 1833, to 3*d.* per lb., or 28*s.* per cwt., while the price of soap duty paid, rarely exceeded 6*d.* per lb., or 56*s.* per cwt., so that the duty was fully 100 per cent. But besides this enor-

mous duty, the substances of which soap is made, viz., tallow, barilla, and turpentine, or resin, were respectively charged with duties of 3*s.* 4*d.*, 2*s.*, and 4*s.* 4*d.* a cwt.; and taking these indirect taxes into account, it may be truly stated that soap was taxed from 110 to 120 per cent. *ad valorem!* The imposition of so heavy a duty on an article indispensable to the prosecution of many branches of manufacture, and to the comfort and cleanliness of all orders of persons, was extremely inexpedient. During the five years ending with 1832, the consumption of duty-paid soap was nearly stationary; though there can be little doubt, from the increase of manufactures and population during that period, that it would have been considerably extended but for the increase of smuggling This practice was facilitated by the exemption of Ireland from the duty; for it not unfrequently happened that the soap made in this country, and sent to Ireland under a drawback was again clandestinely introduced into Great Britain. It was obvious that nothing but the effectual reduction of the duty could put a stop to the smuggling and fraud that were then so generally practised. So long as a profit of 110 or 120 per cent. was to be made by breaking the law, so long was it sure to be broken, despite the multiplication of penalties and the vigilance of the officers. In 1833, however, the duty on hard soap was reduced from 3*d.* to 1½*d.*; on soft, from 1¾*d.* to 1*d.* per lb.; and the duties on the articles which enter into the composition of soap being then also materially reduced, the temptation to smuggle was diminished in a corresponding degree. The increased consumption that followed the reduction of duty hindered the revenue from declining more than about a fourth part, or 25 per cent. And as it again recovered its old level, the advantages resulting from the check given to smuggling, and the influence of the reduced price of the article, in facilitating industry, and promoting habits of cleanliness, were obtained without any considerable fiscal sacrifice.

The repeal of the soap-duty, which took place in 1853, was a

popular, and, in some respects, an advantageous measure. But seeing that a large amount of revenue must be raised, and that those taxes only are productive which affect all classes of the community, the expediency of the measure is very doubtful. Instead of its repeal, the better plan would have been to extend it to Ireland, and to reduce its amount from 1½*d.* to 1*d.* per lb. Had this been done it would probably have been as productive as ever, without being in any degree oppressive, or giving any considerable stimulus to smuggling.

Hops.—An excise duty imposed on all hops grown in Britain for four years, by the 9 Anne, cap. 12., was made perpetual by the 1 Geo. I. cap. 12. The duty, which was originally fixed at 1*d.* per lb., continued at that rate down to 1780, when it was raised to 1½*d.* It was subsequently increased in 1782, 1783, and other years, till in 1804 it amounted to 2½*d.* per lb., but being reduced in 1806 to 2*d.*, it continued at that rate down to 1840, when 5 per cent. was added to its amount. In 1861, the duty was reduced to 15*s.* per cwt., or to about 1½*d.* per lb.; but this attempt to trifle with a serious evil having satisfied no one, the duty was repealed in the course of next year. In the years 1859, 1860, and 1861, the duties charged on hops were respectively, 599,346*l.*, 69,767*l.*, and 149,701*l.* In the latter year 47,941 acres of land, principally in Kent and Sussex, were appropriated to the hop cultivation.

Though the duty has not interfered so injuriously with the cultivation of hops as might have been anticipated, it was much and justly objected to. Being fixed at 2*d.* per lb. it fell with disproportioned severity on the inferior descriptions of hops. The produce of the hop plant is also extremely various, being in some years five and even ten times as great as in others, the aggregate duty varying proportionally, or from, say, 40,000*l.* to above 400,000*l.* a year![*] And these variations in

* In 1825 the duty produced only 42,337*l.*, whereas in the following year it produced no less than 476,896*l.*

the produce being accompanied by equal or greater variations of price, the duty amounted in plentiful years to a large proportion of the value of the entire crop. In consequence of these sudden and extensive changes, the hop planters cannot help being almost universally speculators, withholding the larger portion of their abundant crops from market till a deficiency occurs and prices rise. And such of them as are unable to do this have comparatively little chance of succeeding in their very precarious business. But it is plain that the payment of the duty was a very serious obstacle to these speculations; and to mitigate its influence in this respect, it was customary to suspend or defer its payment in abundant years for longer or shorter periods, or till the recurrence of a scarcity. It is almost needless to add, that a system of this sort was in all respects inexpedient; it led to a vast deal of uncertainty, and was the theme of perpetual complaints. And these being latterly prosecuted with unusual vigour, the duty was finally repealed in 1862, when, to indemnify the revenue for its loss, an addition was made to the licence duties paid by the brewers of beer.

The hop plant is a native of Britain; but its culture was originally introduced from Flanders in the reign of Henry VIII. Hops are first mentioned in the Statute Book in 1552, in the Act 5 & 6 Edw. VI. cap. 5.; and it would appear from an Act passed in 1603 (1 Jac. I. cap. 18.), that they were at that time extensively cultivated. Walter Blithe, in his *Improver Improved*, published in 1649 (3rd edit. 1653, p. 240.), has a chapter upon improvement by plantations of hops, in which he observes that "hops were then grown to be a national commodity; but that it was not many years since the famous city of London petitioned the parliament of England against two nuisances; and these were, Newcastle coals, in regard to their stench, &c., and hops, in regard they would *spoil the taste of drink*, and endanger the people; and had the parliament been no wiser than they, we had been in a measure pined, and in a great measure starved, which is just answerable to the prin-

ciples of those men who cry down all devices, or ingenious discoveries, as projects, and thereby stifle and choke improvement."

Salt.—The circumstance of salt being an article universally in demand, and all but indispensable to subsistence, has probably led to its being almost everywhere burdened with duties, and made a source of revenue. In some cases the salt-mines or brine-springs whence the salt is obtained are monopolised by government, and the produce sold at a comparatively high price, while in others it is subjected, like most taxed articles, to excise or customs duties, or both.

A duty on salt (*vectigal salis*) was, as previously stated, established in ancient Rome, anno U. C. 547, by the consuls C. Claudius Nero and M. Livius, the latter of whom received from this circumstance the surname of *Salinator*.* At a later period the Republic appropriated to itself the entire sale of salt, which was partly produced in works carried on by slaves on the public account (*mancipes salinarum*), and partly also, as it would seem, by private parties who sold their produce to the revenue officers and farmers of the public salt-works. This duty does not appear to have been deemed oppressive, or to have been much objected to. Dureau de la Malle says, *il étoit fixe, modéré, perçu à la fabrication, et ne génait ni l'agriculture ni les contribuables.*†

If this be a fair account of the duty on salt in ancient Rome, it may be safely affirmed that it had but little in common with the salt-duties in most modern states. The *gabelle*, or salt-duty, was early established in France, into which indeed it had been introduced by the Romans; but as different provinces of that kingdom enjoyed, previously to the Revolution, different privileges, the rate of duty varied

* Liv. lib. xxix. cap. 37.

† "Economie Politique des Romains," ii. 464.; see also Burman, "De Vectigalibus Pop. Rom." p. 90. 4to ed.

accordingly. It is stated by Necker that while the consumption of salt in the provinces subject to the *grande gabelle,* or high duty on salt, amounted to only about 9⅛ lb., its consumption in the *provinces rédimées* and the *provinces franches* (those which had purchased an exemption from the tax, and those in which it had never been imposed) amounted to about 18 lbs.* This well-authenticated statement shows that the duty must have operated most injuriously in the highly taxed provinces; and that it might have been considerably reduced without materially affecting the revenue. Its magnitude was not, however, its worst feature. From its being assessed on some provinces and not on others, it obliged their frontiers to be guarded with as much jealousy as if they had been so many independent states. And yet despite the formidable obstacles thrown in its way, smuggling was carried on to such an extent that, previously to the Revolution, from 3,000 to 4,000 persons were annually sent to prison and the galleys for offences against the salt laws!† Indeed every one in any degree conversant with French history knows that the glaring inequality of the gabelle, and the suffering it occasioned, powerfully contributed to bring about that gigantic convulsion which destroyed it and so many other abuses and institutions.

Notwithstanding the painful recollections with which it was associated, the vast expenditure occasioned by the wars in which he was perpetually engaged, obliged Napoléon I., in 1806, to impose a duty of 20 fr. per metrical quintal (100 kilogrammes) on salt. This duty was raised in 1813 to 40 fr., but was soon after reduced to 28 fr. 50 cents., at which rate it continued down to 1849. From its pressing equally on all parts of the kingdom, and not being so high as to give any considerable stimulus to smuggling, this duty was little objected to except by the proprietors of salt-works. It produced

* "De l'Administration des Finances," ii. 12.

† Young's "Travels in France," 598.

in 1847 a revenue of 70,383,124 frs. (2,815,409*l.*). The consumption of duty-paid salt was estimated, at an average of the kingdom, at about 16 lbs. per head of the population, being about 2 lbs. under Necker's estimate of the consumption of the provinces exempted from the gabelle.†

But despite the productiveness and unobjectionable character of the tax, and the deficiency of the revenue, the provisional government, that grew out of the Revolution of 1848, issued a decree which reduced the duty from the 1st January 1849, to a third part of its previous amount. It would be to no purpose to criticise a measure which was dictated by a wish to conciliate popularity, and not by any appreciation of its real merits or defects. It is sufficient to say, that while it was of little advantage to the contributors, it increased the deficit in the revenue, and compelled recourse to be had to other and more objectionable modes of raising revenue, such as adding to the *contribution foncière*, and other impolitic taxes. It has since, however, been raised to its old level, or to one not very different.

The author of one of the best works that has been published during the course of the present century, on the causes and remedies of pauperism,† alludes as follows to this reduction of the duties on salt:

" Quiconque a interrogé les habitants de nos campagnes a pu se convaincre que l'ancien impôt sur le sel ne paraissait trop onéreux à personne ; qu'il ne provoquait aucune plainte ; et que le dégrèvement dont on promettait tant de résultats n'a réalisé jusqu'ici aucune amélioration dans le sort de l'agriculture. Aussi la réduction de cet impôt, qui coûte au trésor plus de cinquante millions par an, et qui est une des principales causes du déficit progressif de nos finances, n'a-t-elle excité aucune reconnaissance, ni même obtenu aucune appro-

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* Audiffret, " Système Financier de la France," ii. 168.

† Mesiéres, " L'Economie Remède du Pauperisme." 1853.

bation. Je ne crois pas qu'il soit possible de trouver, dans l'histoire parlementaire des nations modernes, un exemple de sacrifice aussi malheureux au besoin de popularité, ou de déférence aussi intempestive aux entraînements d'une opinion factice" (p. 52.) Had M. Meziéres published his work in 1863, instead of 1853, he would most likely, had he looked to what has latterly been done on this side the channel, have modified the last sentence.

A duty on salt, at the rate of 3*s.* 4*d.* per bushel, was introduced into England in 1694, its management being intrusted to a peculiar set of commissioners. This duty produced, previously to its repeal in 1729, a gross revenue of about 470,000*l.* a year; but the drawbacks and other deductions and the expenses of collection, reduced its nett produce to less than 200,000*l.* Though a highly popular measure the country did not long enjoy the advantages anticipated from the suppression of the duty; for within two years the same minister, Sir Robert Walpole, by whom it had been repealed, proposed its revival. This inconsistency may, however, be easily explained. Walpole, though well aware of the many objections to which the tax was liable, was about this period peculiarly anxious to conciliate the support of the landed interest. And in furtherance of this object he chose rather to revive the salt-duty than to add another shilling to the land-tax, which was then assessed at the low rate of 1*s.* per pound. The renewed duty began in 1732.

At the accession of George III., in 1760, the duty amounted to 3*s.* 4*d.* a bushel. It was raised during the American war to 5*s.* per bushel, and continued at that rate down to 1798, when it was raised to 10*s.* This addition to the tax having occasioned many complaints and a great increase of smuggling, a Committee of the House of Commons was appointed, in 1801, to inquire into the operation of the salt laws. Having collected a mass of evidence, by which the pernicious influence of the duty was completely established, the Committee recommended that it should be commuted for some less objectionable tax, or, if possible, repealed; declaring their conviction

to be "that the salt-duties are in their consequences detrimental to the public in a degree far exceeding the payment of the tax itself." But instead of carrying out the recommendation of the Committee, Mr. Pitt added, in 1805, another 5*s.* a bushel to the duty, which was thus increased to 15*s.*, at which rate it continued till its repeal in 1823. It produced, during the latter years of its existence (including Scotland, in which, however, the duty was much less than in England), a nett revenue of about 1,500,000*l.* a year.

From 1805 downwards the influence of the salt-tax was alike powerful and ruinous. The natural cost of salt being rather under 8*d.* a bushel, the duty was above *two and twenty* times the price of the article on which it was laid! And it is needless to say that, with such an overwhelming temptation to smuggle, the practice was carried on to an immense extent. In his "Case of the Salt Duties," published in 1817, Sir Thomas Bernard states, that the consumption of salt in England was then supposed to amount to about 150,000 tons a year, of which only about a third part paid duty. "The contributions of the public are divided between the Crown and the thief; and while the Government collects the tax on about 50,000 tons, the thief and the smuggler receive a moderate duty on about 100,000 tons more; a circumstance inseparable from the excess and nature of the tax, and not caused by the want of pains, penalties, and perjuries, which, though multiplied tenfold, would still be inadequate to their object." *

If to its influence in encouraging smuggling, we add its influence in depressing the herring and other fisheries, which never made any real progress till after its repeal,† and in

* "Case of the Salt Duties," p. 29.

† Duty-free salt was allowed to be supplied for the fisheries, but the difficulties in the way of getting it were such as rendered this privilege little better than nominal. In the latter years of the duty instances were every now and then occurring, during the fishing season, of whole cargoes of herrings becoming putrid and being thrown into the sea, from the inability of the fishermen to find sureties or bail for the requisite supply of salt, conformably to the excise laws! Macdonald's "Survey of the Hebrides," p. 513.

enhancing the cost and deteriorating the food of the labouring classes, it will not perhaps be easy to specify another tax of which the operation was in all respects so mischievous It took, directly and indirectly, from three to four times the sum from the pockets of the public which it brought into the coffers of the treasury.

Undoubtedly, however, the oppressiveness of the tax was wholly ascribable to the extravagant height to which it was carried by the additions made to it in 1798 and 1805. It is probable, indeed, that its produce previously to its repeal would have been but little below what it actually amounted to had it been continued at itsold level of 5*s.* a bushel. But, independently of its magnitude, and the stimulus it gave to smuggling, the heavy expense of its collection, and the many ways in which it interfered with industrial undertakings, and the subsistence of the poor, made it more than ordinarily objectionable. Hence, though various taxes which produced a greater amount of revenue have been repealed since 1815, the abolition of the salt-tax is believed to have been followed by the greatest public benefit.

We may be excused, perhaps, before quitting this part of our subject, for shortly adverting to a singular assertion of the Marquis Audiffret, who states in his valuable work on the *Système Financier de la France* (i. 56.), in vindication of the duties on salt in that kingdom, that "*depuis la remise entière du droit du sel dans la Grande Bretagne la consommation est restée à peu près ce quelle était sous la règime fiscal antérieur.*" The learned author has not mentioned whence he derived this information ; but certainly we have seldom seen any statement wider of the mark. In every point of view, whether M. Audiffret refers to duty-paid salt only, or to that and smuggled salt taken collectively, it is equally incorrect. The expense of smuggling (now entirely saved), though less than the duty, was very heavy ; and it may be safely affirmed that the consumption of salt, per head of the population, is at present nearly twice as much as it amounted to in 1822.

Though but little increase has taken place in the consumption of salt for agricultural purposes, the repeal of the duty has been of great advantage to the fisheries, and to some important arts and manufactures. The quantity of herrings taken and cured of late years has been nearly 100 per cent. greater than the quantity taken and cured previously to 1830, notwithstanding the abolition in that year of the bounty on which the very existence of the fisheries had previously been supposed to depend. Among other purposes to which salt has been applied since the abolition of the duty may be mentioned the preparation of artificial soda, which is now produced of so good a quality and at so cheap a rate that it has gone far to supersede the use of barilla and kelp. Salt is now also, we believe, rather extensively employed in the manufacture of artificial manures, a business which will most likely become of great importance. But, without laying any stress on these circumstances, the supposition that the consumption of an article used by all classes of the population should not have been increased, notwithstanding its retail price had been reduced from about 18*s.* to 2*s.* 6*d.* per bushel, is so very extravagant that, but for the circumstance of its having been referred to by Audiffret, and other writers * of authority, as if it had been realized, we should not have thought it worth notice.

The *auction-duties*, imposed for the first time in 1777, were duties proportioned to, and charged upon, the values of certain descriptions of property when sold by auction. They amounted to 7*d.* per pound on estates, houses, annuities, shares in public companies, ships, funds, and some other articles; and to 1*s.* per pound on household furniture, books, horses, carriages, and all other goods and chattels. The exemptions, were, however, very numerous, comprising various descriptions of movable

* Tegoborski, "Finances de l'Autriche," ii. 284.

property, with all sorts of property sold by order of the Courts of Chancery and Exchequer, or for behoof of creditors, or under distress for rent, &c. These duties were strongly, and, perhaps, justly, objected to by the Commissioners of Excise Inquiry. Inasmuch as the exposure of property to sale by auction affords the readiest means of ascertaining its value, it seems unreasonable, by imposing duties on auctions, to prevent resort being had to them. Certainly, however, the duties materially lessened the number of auctions. Very many, perhaps we might say the greater number, of the estates put up to auction, were exposed merely in the view of learning what they were really worth, being, to avoid the duty, bought in by the exposers, and then sold by private bargain. But it is not easy to see why, if a duty is to be laid on the transfer of fixed property, it should not be made to press equally on it whatever be the mode of its transfer, or why it should be made to fall heaviest on what has been transferred by auction. The Commissioners of Excise Inquiry suggested that the auction-duties on the sale of estates and other fixed property should be commuted for a small *ad valorem* duty upon all transfers of such property conveyed by deed or written instrument, without regard to the mode in which the transfer had been brought about. And had such commutation been effected, the duty on sales of other property might have been advantageously relinquished; for, while it was of no great importance to the revenue, it pressed, from the number of exemptions, severely and unjustly on certain individuals. But the income-tax having more than supplied the previous deficiency in the revenue, Sir Robert Peel, without providing a substitute, repealed the auction duties in 1845.

Duties on property sold by public sale have been resorted to in most countries. But Spain, which has had an unenviable pre-eminence in all that is bad, is the only country that has attempted to raise a revenue by taxing all transfers of

property, whether by public or private sale.* The *alcavala*, or duty on sales, originally established in 1341, consisted at first of an *ad valorem* tax of 10, increased afterwards to 14, per cent., charged on all commodities, whether raw or manufactured, as often as they were sold or exchanged, being always rated according to their selling price! And this monstrous impost, which was of itself sufficient to annihilate commerce and industry, was permitted to shed its baleful influence over the greater portion of the kingdom down to the invasion of Napoléon I. This tenacity in clinging to so ruinous a tax is the more surprising, seeing that its destructive influence had been repeatedly noticed in the Cortes; and was, at a later period, set in the most striking light by Ulloa,† Ustariz,‡ Campomanes,§ and other able writers. Catalonia and Arragon purchased from Philip V. an exemption from the alcavala and *millones* (duties on butchers' meat and other articles of provision), by consenting to the imposition in their stead of a tax on the rent of lands and houses, and on profits and the wages of labour. And notwithstanding the extremely onerous nature of this tax Mr. Townsend‖ and other intelligent individuals who visited Spain in the latter part of the last and the beginning of the present century, ascribed the comparatively flourishing state of industry in Catalonia and Arragon to their exemption from the alcavala.

But even the latter was not the worst tax to which the Spaniards were subject. This distinction is due to the *bolla*, characterized by Townsend as the most mischievous engine ever set in motion by fiscal rapacity, anxious to grasp at revenue without caring whether the source whence it flowed was thereby destroyed. The bolla was a tax of 15 per cent. on the value

* The duties previously referred to in ancient Rome were confined to the articles sold at public sales.

† Rétablissement des Manufactures, &c., de l'Espagne, part I. 29.

‡ Theory and Practice of Commerce (Eng. Trans.), ii. 236. &c.

§ Educacion Popular, *passim*.

‖ Travels in Spain, iii. 327.

of all manufactured goods. And to ensure its collection the weaver had to give notice previously to commencing his work to the proper officer, who came and marked the web, and when he had finished his work he had to give another notice and receive another official visit before he could remove the web from the loom. Even this tax maintained its ground till after the middle of last century, when it was abolished by Campomanes.*

The decline of Spain has been commonly ascribed to the banishment of the Moors and the emigrations to America. But had the policy of the government been otherwise sufficiently liberal, had the freedom of industry and commerce been established, and the revenue been raised by means of moderate and well-contrived taxes, the losses occasioned by the expatriation of the Moors (which have been greatly exaggerated) would have been speedily obliterated, and the emigration to the New World would have been as little felt in Spain as in England. The Inquisition and the censorship of the press, established in 1502, assisted by vicious taxes, reduced Spain to her low state of degradation. The former, by enchaining the faculties of the mind, and stifling all useful inquiry and discussion, perpetuated every abuse; while the latter paralysed the productive energies of the people, and all but extinguished the spirit of industry and the desire of improvement.

Happily, however, the condition of Spain has latterly undergone important changes for the better. She appears to have reached the lowest point of degradation at the epoch when she was invaded by Napoléon I. The struggle which followed that invasion, and the many changes to which it led, including the abolition of the monasteries and the confiscation and sale of the property of the Church, paved the way for a new and better order of things. And despite the efforts made to effect

* Townsend, i. 148.

its overthrow by the abettors of the old despotism, it appears reasonable to conclude that the constitutional system will be able to maintain its ground; and if so, there can be little doubt that Spain will, at no distant period, resume her place among the great powers of Europe. Her progress during the last 20 years has been astonishingly great. That extreme deficiency of internal communication, which was inconsistent with anything like improvement, is now being supplied by the formation of railways intersecting her principal provinces. Industry, relieved, to a considerable extent, from the fetters by which it was formerly enchained, has rapidly extended itself, while population has had a corresponding increase. It is to be regretted that religious intolerance continues to maintain a baleful ascendancy, but it is gradually being weakened; and, as education is making some progress, the chances are that the mental capacities of the inhabitants, as well as the physical capacities of the country, will be progressively developed.

Glass.—We are disposed to think that the duties on glass were the most objectionable of those lately under the management of the excise. Considering, indeed, the vast importance of this beautiful fabric, and the many necessary, convenient, and ornamental purposes to which it is, and to which it may be applied, it should not, if possible, have been subjected to taxation; and if the public exigencies did not admit of its being exempted, the duties on it should, at all events, have been kept within reasonable limits, and been imposed in the way least likely to be injurious. It would seem, however, as if these considerations had been wholly lost sight of in the taxing of glass, the duties on it being objectionable alike from their magnitude and the mode in which they were assessed. After successive augmentations they were raised in 1813 to 98*s.* a cwt. on flint and plate glass. And despite the great increase of wealth and population in the interim, the consumption of both these sorts of glass was less

in that year than it had been in 1794, when the duty was 32*s.* 2½*d.* a cwt.

Besides augmenting the price of an indispensable article by their oppressive amount, the duties further augmented its price and deteriorated its quality, by unduly fettering the operations of the manufacturers, and preventing them from making experiments and introducing new processes. In this respect they were especially injurious; being, in truth, the principal cause that some important departments of the manufacture were not introduced into this country, and that in others we were behind the Bohemians and other foreigners who have no natural facilities for its successful prosecution. Indeed, every one acquainted with the facts will be forward to admit that the Commissioners of Excise Inquiry were justified in expressing their conviction that "*no tax can combine more objections, or be more at variance with all sound principles of taxation, than this duty on glass.*"

It is difficult to believe that there could be any cause other than its high price occasioned by the duty, for the quantity of plate glass used in the fitting-up of the houses of the middle and more opulent classes in this country being so much below what is used by the same classes in most parts of the continent. The taste for plate glass had, however, gradually gained strength; and since the abolition of the duty it is used to a much greater extent than formerly, in mirrors, in the glazing of prints, the windows of shops and houses, &c. The high price of glass was also a principal cause of the limited number of hot-houses and conservatories; which are now far more abundant. The duty produced, previously to its repeal in 1845, about 660,000*l.* a year.

The duty on glass, originally imposed by the act 6 & 7 Will. & Mary, cap. 18, was repealed within four years by the act 10 & 11 Will. III. cap. 18.; because, as stated therein, while the duties were of small advantage to the crown, they lessened the duty on coals, hindered the employment of the poor, and endangered the loss of a manufacture beneficial to the kingdom. It

is to be regretted that these conclusive reasons for the repeal of the tax were not sufficient to prevent its being revived, in 1745, by the 19 Geo. II. cap. 12. At first, indeed, the renewed duties were comparatively moderate; but the immense additions subsequently made to them, and the interference which their assessment occasioned with the manufacture, made them especially objectionable.

Leather. — The duty formerly charged on leather was, in various respects, not a little objectionable. It amounted to 1½*d.* per lb. from its establishment by the 9 Anne, cap. 11., down to 1812, when it was raised to 3*d.*, at which rate it continued till 1822, when it was again reduced to its old rate of 1½*d.* It was finally repealed in 1830.

The duty produced about 600,000*l.* a year of nett revenue previously to its reduction, and about 400,000*l.* thereafter. But its reduction in 1822 was an unwise proceeding; it should either have been kept as it was or wholly repealed. The retention of any part of the duty made it necessary to keep up and enforce the various regulations required for its collection, which were even more objectionable than the duty; while a reduction of 1½*d.* per lb. in the cost of leather was too trifling to be felt by the public, supposing they had received the entire advantage of such reduction. It has been doubted, however, whether such was really the case, and whether, as the customs duties on hides were not proportionally reduced, the benefit of the reduction was not principally intercepted by the graziers and growers of cattle in this country selling their hides at a proportional advance.* But the reduction was too inconsiderable to have any sensible influence either in one way or other. There can, however,

* This view of the matter was taken by Sir Robert Peel, in his speech in the House of Commons, on the 11th of March 1842.

be no doubt that it was impolitic to lay a duty on an article which is indispensable to the prosecution of most branches of industry, and to subject an important manufacture to a vexatious system of *surveillance* for the sake of 400,000*l.*, or even 600,000*l.* a year. The leather trade, relieved from every sort of trammel and restraint, has been greatly extended since 1830. And the customs duties on foreign hides having been repealed in 1844, their importation has rapidly increased, and the public have not merely profited by the abolition of the duty, but by the many improvements which have since been made in the tanning and dressing of leather.

Previously to the repeal of the leather-tax, duty was paid on about 52,000,000 lbs. of leather. But we are well assured that the production of tanned and dressed leather is at present not under, if it be not above, 150,000,000 lbs. This quantity, supposing it to sell, at an average, for 1*s.* 6*d.* per lb., would be worth 11,250,000*l.* And, on this hypothesis, the total value of the articles into which leather is manufactured may fairly be estimated at from 16,000,000*l.* to 18,000,000*l.* a year. If those who suspect this estimate of exaggeration will reflect a little on the immense expenditure on shoes and harness only, exclusive of the other modes in which leather is employed, they will, perhaps, be of opinion that it is, if anything, below rather than above the mark.

In speaking of the leather manufacture, Dr. Campbell has the following observations:—"If we look abroad on the instruments of husbandry, on the implements used in most mechanic trades, on the structure of a multitude of engines and machines; or if we contemplate at home the necessary parts of our clothing—breeches, shoes, boots, gloves—or the furniture of our houses, the books on our shelves, the harness of our horses, and even the substance of our carriages; what do we see but instances of human industry exerted upon leather. What an aptitude has this single material in a variety of circumstances for the relief of our necessities, and

supplying conveniences in every state and stage of life! Without it, or even without it in the plenty we have it, to what difficulties should we be exposed!" *

Candles.—The duty on candles, imposed in 1710, by the 8 Anne, cap. 9., was repealed in 1831. For many years previously to its repeal, the rate of duty amounted to 1*d.* per lb. on tallow candles, and to 3½*d.* per lb. on those made of wax. Though it could not be fairly objected to because of its magnitude, yet the tax was one of the worst that could be devised. Heavy penalties were laid on all parties, however poor, who made any tallow or grease into candles, unless they gave previous notice to the Excise, and declared upon oath the quantity and description of candles they meant to make! It is obvious that such a duty could be neither fairly assessed nor generally collected; and though previously to its repeal it produced about 490,000*l.* a year, it was far more productive of perjury and fraud.

Bricks.—A duty on bricks was imposed in 1784 by the Act 24 Geo. III. cap. 24. It was originally fixed at the rate of 2*s.* 6*d.* per 1000 on common bricks, but was increased at different periods between 1794 and 1806 to 5*s.* 10*d.* per ditto, at which rate it continued till its repeal in 1850. The larger and finer bricks paid higher duties. A duty on tiles, imposed at the same time as that on bricks, was repealed in 1833.

Bricks being the principal material used in London and in most parts of England in the building of houses, immense quantities are annually produced. Notwithstanding the duty, their consumption in England nearly doubled during the twenty years ending with 1840; the number that paid duty in 1821 having been 899,178,510, whereas in 1840 it amounted to 1,677,811,134. In 1847 it increased to

* "Political State of Great Britain," vol. ii., p. 176.

2,193,829,491. But it subsequently fell off; the number brought to the charge in 1849, the last year of the duty, being only 1,462,767,154. In Scotland, where stone is mostly employed in building, the manufacture of bricks is comparatively unimportant. The duty, which produced, in 1849, a nett revenue (inc. Scotland) of 456,452*l.*, had long been felt to be extremely partial, seriously affecting some parts of the country, while it did not touch others. Its defects were set in a still more striking light by the rapidly extending use of tiles, after they had been relieved from the duty, in drainage and otherwise. Influenced by these and other considerations, government proposed and carried the repeal of the duty in 1850.

The duties on licences to kill game were formerly included among the assessed taxes, but latterly they have been transferred to the excise.

Lord Kames suggested that duties should be imposed upon deer parks, and if so they ought to be extended to deer forests. And whatever may be thought of this suggestion it would be highly expedient to add considerably to the existing duties on gamekeepers and others employed in the preservation of game. This is an object to which, when confined within moderate limits, no good objection can be raised; but it is often carried to such an extent as to become highly injurious. The crowding of preserves with large quantities of game is the principal means by which the race of poachers is kept up; it tempts the needy, the idle and the adventurous to engage in poaching, and to defend by violence the plunder they have unlawfully acquired. And though it might be impracticable to interfere directly with the nuisance of overstocked preserves, it would be good policy to do this indirectly by laying heavy duties on those engaged in keeping them up. A *battue* is undeserving of the name of sport, it is a mere vulgar butchery.

Exclusive of tolls, duties are charged on travelling either

by public carriages or by private carriages drawn by post-horses. Of these the duty of 5 per cent. on all sums received by railway companies for the conveyance of passengers is the most important. It produced in 1860–61 the sum of 372,178*l.* This duty falls, of course, wholly on the passengers; and is so very moderate that it has no effect in lessening their number. Probably, indeed, it might be doubled without having, in this respect, any very sensible influence. This is a good instance of an indirect tax. Not one passenger in fifty ever thinks of it, or would travel a mile the less if he did.

But despite the facility with which this tax is collected, and its innocuousness as respects the public, it is said to operate unfairly and oppressively upon railway companies.* These allegations do not, however, appear to be entitled to much weight. The tax will, no doubt, be less felt by prosperous than by unprosperous companies; but this is a result common to all fairly imposed taxes. And it is further to be borne in mind that since 1832 all railways have been subject to taxation. At first the tax consisted of a mileage, or duty of ½*d.* per mile for every four passengers conveyed in a railway carriage. But this duty, having been found to be too heavy, was commuted in 1842 for the present duty of 5 per cent. on the gross receipts derived from passengers. It is, therefore, obvious that all railway companies and proprietors knew when they were forming their plans that they would be subjected to a certain amount of taxation. They might have objected to the tax had it been *ex post facto*. But when it has formed one of the elements in the working of railways, the cost of which was fixed and ascertained beforehand, the objections to it on the ground of injustice are evidently destitute of any good foundation.

The railway companies further allege that the tax is oppressive because they are fettered in the management of their

* The objections to the duty have been ably stated in a tract by G. H. Lang, Esq.

lines, and obliged to carry third-class passengers at certain specified rates. But the same answer may be made to this as to their other allegation. The regulation in regard to third-class passengers has been enacted for a considerable period; and all railway companies formed in the interval were aware that they would be subjected to it as well as to the tax. If they thought that either the one or the other was unreasonable or unfair, why did they go on with their undertaking? A party who has bought an estate subject to the land-tax, is not to be allowed to turn round and object to its payment when he finds he has made a bad bargain.

Nothing, therefore, can be more unfounded than the objections made by the railway companies to this tax. Their depressed condition is not owing to it, but to their own recklessness, extravagance, and bad faith. And any government which should repeal or modify the railway tax without securing in some other way an equivalent advantage to the community, would evince but little regard for the public interests. If, however, there be anything either oppressive or vexatious in the rules for enforcing the payment of the tax, or the conveyance of passengers, it should, as far as possible, be corrected. But nothing should be done to lessen in any degree the revenue payable to the public, or to diminish the facilities for cheap and secure travelling.

The duty on stage-carriages consists of a licence duty of 3*l.* 3*s.* a year, and of a *mileage*, or duty of 1*d.* per mile travelled over. This duty produced in 1860–61, 125,557*l.* The duty on post-horses, which was very heavy, was repealed in 1854, but annual licence duties continue to be charged on horses and carriages let for hire. These, which vary from 7*l.* 10*s.* on the horse and one carriage to 60*l.* on 20 horses and 15 carriages (with 10*l.* additional for every 10 or less than 10 horses above 20), produced in 1860–61 125,557*l.*

SECTION II.—ASSESSED TAXES.

The land-tax, and the duties on houses, armorial bearings, carriages, horses and horse-dealers, dogs, servants, &c., are

called, for what reason it is not easy to guess, the "assessed taxes." *

These taxes produced, in 1862, the sum of 3,135,080*l.* Of this sum 826,623*l.* was derived from the duty on houses, which we have seen is in all respects preferable to a tax on windows (*ante p.* 68). The late window-tax was, however, as reasonable as could well be desired. Houses with fewer than eight windows were exempted from its operation, and houses with that number paid only 16*s.* 6*d.* The duty increased with the increasing number of windows, till, on the largest houses, it attained a maximum rate of 46*l.* 11*s.* 3*d.* Windows in houses on farms under 200*l.* a year were exempted from the duty. In 1850 it produced 1,708,504*l.*†

The window-duties were preceded by, and may indeed be regarded as, a substitute for hearth-money, or the old duty on hearths or fire-places. This last is of great antiquity. As early as the Conquest mention is made of *fumage* or *fuage*, vulgarly called smoke-farthings, which were paid by custom to the king for every chimney in the house. It would appear, however, that this custom had gradually fallen into disuse; and it was not till the reign of Charles II. that the hearth-tax was established as a regular source of income. The stat. 13 & 14 Car. II. cap. 10., enacted that a tax of 2*s.* should be charged upon every hearth in all houses paying to church and poor; and subsequent statutes authorized the officers engaged in its collection to enter houses to ascertain the number of fire-places. This invasion of domestic privacy, and not its

* The duties treated of in this section under the name of the assessed taxes have no better claim to that designation than any other description of duties The classic verb *assidere*, to set down was used in the middle ages in an active sense, to set, impose, or apportion a tax or tribute. "Assidere," says Ducange, "est censum describere, taxare, imponere, peræquare: *talliam*, sive impositum vectigal, vel tributum, cum æqualitate singulis viritim taxare. *Galli dicunt asseoir la taille.*" *Assessare* and *assetare*, were employed, according to the same great authority, to the like effect, that is to mark the imposition and apportionment of taxes, or public burdens, "*Ad censum dare; tributum singulis viritim imponere.*"—(Glossarium i., p. 775–7, ed. 1733.

† Exclusive of the 10 per cent. additional imposed by the 3 Vict. cap. 17.

amount, made this a very unpopular tax. And, therefore, it was declared at the Revolution, by stat. 1 William and Mary, cap. 10., that "hearth-money was not only a great oppression to the poorer sort, but a badge of slavery upon the whole people, exposing every man's house to be entered into and searched at pleasure, by persons unknown to him; and, therefore, to erect a lasting monument of their majesties' goodness in every house in the kingdom, the duty of hearth-money was taken away and abolished." But, as Blackstone says, "the prospect of this monument of goodness was somewhat darkened," when in six years after taxes were laid on houses and windows by the statute 7 Will. III. cap. 18. The window-tax had, in truth, no advantage of any kind over the hearth-tax, except that it might in most cases be assessed without its being necessary to enter the house. In other respects the taxes were nearly upon a level; neither the one nor the other affording any criterion by which to estimate the value of houses, or, consequently, the amount of tax they might fairly bear.

The tax on *horses* formerly extended to those employed in husbandry, which were charged with duties varying from 3*s.* to 17*s.* 6*d.* each. The latter were, however, exempted from the tax in 1822 and 1823; the duty on them being said to be objectionable, inasmuch as it tended to raise the price of corn by taxing the instruments of production and obstructing the progress of agriculture. And we are inclined to think that, in as far as regards the duty of 17*s.* 6*d.*, these objections had some sort of foundation. But had the duty on horses employed in husbandry been charged all round at 7*s.* 6*d.*, or 10*s.*, it would have had no sensible influence in the way now stated; and it is by their practical operation, and not by theoretical inferences, that we are to judge whether taxes are really expedient or otherwise. The existing duties of 21*s.* and 10*s.* 6*d.* on horses, mules, &c., used for riding, might be universally doubled, or raised to 42*s.* and 21*s.* a year, without regard to the height of the animals. And were these

measures carried into effect, that is, were husbandry horses subjected to a duty of 7*s.* 6*d.*, or 10*s.*, and riding horses to duties of 42*s.* and 21*s.*, there is good reason to think that they would yield 1,200,000*l.* a year, or more, of revenue, without being in any degree oppressive. At present there are probably in Great Britain not fewer than one million horses employed principally in husbandry operations. In 1861 the existing duty was assessed on 561,274 horses.

A duty on private *carriages* was imposed for the first time in 1747 by the Act 20 Geo. II. cap. 10. The duties, which have since undergone many modifications, amount at present to 3*l.* 10*s.* on a four-wheeled carriage, when drawn by two or more horses, and to 2*l.* if it be drawn by one horse; these duties being reduced to 1*l.* 15*s.* and 1*l.* when the diameter of the wheels is less than 30 inches. There are, also, duties of 2*l.* and 1*l.* on carriages with less than four wheels, according as they are drawn by two horses or one, &c. Of the latter, or those drawn by one horse, there were in Great Britain in 1860–61, no fewer than 165,320. And the fact that there were, in the same year, only 28,639 four-wheeled carriages drawn by two and more horses, goes far to show how idle it is to imagine that any very great amount of revenue can ever be realized by means of taxes falling on luxuries used only by the upper classes.

The duties on *dogs* call for little remark. Dogs used in the care of sheep and cattle are exempted from the duty. And being unexceptionable in principle, the tax on other dogs should be carried to the highest point of productiveness; that is, the duties should be elevated or depressed to the point at which they will yield the greatest amount of revenue.

The duty on *servants* was charged, in the year ending the 31st March 1861, on 241,519 individuals, and produced 202,105*l.* It amounts to 1*l.* 1*s.* a year on males above 18 years of age, and to 10*s.* 6*d.* on those below that limit, and is restricted to household servants, coachmen and grooms, game-

keepers, gardeners, waiters in taverns, and such like functionaries. No doubt, however, it should be made to comprise all males employed in the shops of haberdashers and similar establishments, who usurp situations that might be better filled by women. Formerly the duty amounted to 2*l.* 4*s.* on a servant in an establishment where only one was kept, increasing up to 3*l.* 13*s.* 6*d.* for each servant in establishments where 11 and upwards were kept. And though a duty of 2*l.* 4*s.* on a single servant was probably too high, it is more than doubtful whether it should have been reduced below 31*s.* 6*d.* or 30*s.*, and it might have been advantageously doubled or trebled on gamekeepers and perhaps on some other varieties. In very many instances servants are kept more for ostentation and parade than because they are really useful; and it may be safely affirmed that the maintenance of such parties is about the very worst of the methods in which wealth can be expended. It withdraws large numbers of able-bodied young men from industrial employments, and keeps them in pampered idleness to their own and the public detriment. There can, in truth, be no better subjects for taxation than the servants in question. It is not on them, but on their masters that the tax really falls, so that, besides being productive of revenue, it acts as a beneficial sumptuary regulation. The duty on servants should be made to produce at least 500,000*l.* a year.

The tax on *hair-powder*, imposed in 1797, produces little more than 1,100*l.* a year, and is not worth keeping up. It is interesting only from its affording, as already stated, one of the most striking examples of a change of fashion induced by taxation; the habit of wearing hair-powder, which previously to the tax was very general, having been completely rooted out by its introduction.

It is obvious from these statements that the assessed taxes are at present as moderate as can be desired; and whatever unpopularity may attach to them, does not originate in their magnitude, but in the circumstance of their requiring a direct

money payment to be made to the collectors. We have previously endeavoured to show why the contributors are generally averse to such payments; and the superiority in this respect of excise and customs duties, in which the tax, being identified with the cost of the article, is forgotten by the purchasers. But, apart from their unpopularity, the assessed taxes are as little objectionable as any duties of the kind can possibly be. And, in our view of the matter, it would be good policy to augment them, by extending the house-tax to all descriptions of houses, and increasing the rate of assessment to 7½ or 10 per cent, and otherwise is stated above.

Duty on Plate.—In order partly to prevent fraud, and partly for the sake of revenue, the manufacture of plate is placed under certain regulations. Those who deal in it are obliged to take out licences, renewable annually, which cost from 2*l.* 6*s.* to 5*l.* 15*s.* Assay offices are established in different places; and any one selling any article previously to its having been assayed and marked forfeits 50*l.* No plate is passed at the assay offices, unless it be of the fineness of the old standard, or 11 oz. and 2 dwts., or of the new standard of 11 oz. and 10 dwts. Gold plate, with the exception of watch-cases, pays a duty of 17*s.* per ounce, and silver plate a duty of 1*s.* 6*d.* per ounce; but watch-cases, chains, tippings, mountings, collars, bottle tickets, teaspoons, &c., are exempted. The offence of counterfeiting, or of transferring from one piece of plate to another the marks, stamps, &c., already impressed on plate by the assayers, was formerly felony without the benefit of clergy; but is now punishable by transportation or imprisonment.

Besides being charged on articles of luxury and ostentation, the duties on plate have been supposed to serve as a guarantee for the genuineness of the articles on which they are imposed. It has, however, been alleged that being easily counterfeited the marks of the assayers have an opposite effect; and that by making the buyers confide in them, a ready sale is not

unfrequently procured at full prices for articles that are very much alloyed. There may probably be some truth in this statement; though on the whole the duty no doubt helps to prevent the public from being cheated. Those who wish for perfect security should resort only to shops of established character and respectability. In 1861–2 the duty produced 65,519*l.*

Tolls, Port Dues, &c.—We briefly noticed in the introduction to this work the modes that have been successively adopted for the construction and repair of the public roads; and as nothing, perhaps, contributes so much to the improvement of a country as good roads, their formation and repair are objects of primary importance. The funds for these objects are now usually provided, at least in as far as respects the great lines, by tolls levied on the goods, carriages, horses, &c., passing along the roads; and when the tolls are kept within due limits, and the produce is judiciously and economically laid out they have been generally approved of. "When," says Adam Smith, "the carriages which pass over a highway or a bridge, and the lighters which sail upon a navigable canal, pay toll in proportion to their weight or their tonnage, they pay for the maintenance of those public works exactly in proportion to the wear and tear which they occasion of them. It seems scarcely possible to invent a more equitable way of maintaining such works. This tax or toll, too, though it is advanced by the carrier, is finally paid by the consumer, to whom it must always be charged in the price of the goods. As the expense of carriage, however, is very much reduced by means of such public works, the goods, notwithstanding the toll, come cheaper to the consumer than they could otherwise have done; their price not being so much raised by the toll, as it is lowered by the cheapness of the carriage. The person who finally pays this tax, therefore, gains by the application more than he loses by the payment of it. His payment is exactly in proportion to his

gain. It is in reality no more than a part of that gain which he is obliged to give up in order to get the rest. It seems impossible to imagine a more equitable method of raising a tax.

"When the toll upon carriages of luxury, upon coaches, post-chaises, &c., is made somewhat higher in proportion to their weight than upon carriages of necessary use, such as carts, waggons, &c., the indolence and vanity of the rich are made to contribute, in a very easy manner, to the relief of the poor, by rendering cheaper the transportation of goods to all the different parts of the country." *

But, if tolls were imposed, not to furnish a fund for constructing and repairing the roads, but to yield a revenue to government, their influence would be widely different. They would then form a species of internal customs that would be a great incumbrance on trade. If they were charged according to the bulk and weight of the goods, which seem to be the only indexes that can be resorted to in determining the amount of tolls, they would become unequal and partial in their operation; and would fall with oppressive severity on the raw produce of the soil, coal, manure, and other bulky articles of comparatively small value; while they would have a slight and, indeed, imperceptible influence over most species of manufactured goods.

But supposing the tolls to be applied only to the construction and repair of roads, and to be fairly assessed, still it is by no means clear that they are in all respects so unobjectionable as Smith seems to have supposed. Good roads conduce to the advantage of all classes of the community, and are indirectly, if not directly, as serviceable to those who do not keep horses and carriages as to those who do. And owing to tolls being multiplied on certain roads and in certain districts more than in others, their pressure becomes unequal, while they act as a considerable impediment to that free and easy

* "Wealth of Nations," p. 326.

communication between different places that is so desirable It has in consequence been proposed to abolish tolls, as being essentially partial and unfair, and to raise a fund for constructing and repairing turnpike roads by a tax on property assessed and collected in the same way and by the same machinery as the rate for cross and parish roads. But though a plan of this sort would be productive of many advantages, it would, also, be attended with some serious difficulties and drawbacks. And on the whole it is, perhaps, the better policy to continue the present system, taking care, however, to free it as far as possible of abuse.*

In backward and thinly peopled districts, where it might be impossible either to construct or keep up roads by means of tolls or parish rates, it may notwithstanding be expedient, with a view to the general interests of the empire, that roads should be constructed. In such cases their cost should be defrayed in part by the public, but in part also by a tax on the lands and houses of the districts in which they are situated. The roads in the Highlands exemplify the correctness of this statement. Half their cost was paid by government; and, though of the greatest advantage, they could not have been made, and, after being made, could not have been kept up, by the produce of any tolls it would have been practicable to levy. Indeed the imposition of tolls on the roads in unfrequented districts is, in most cases, inexpedient; and, if assessed, they should always be at a very low rate. The excessive multiplication of tolls in Wales, and the oppression thence arising, were among the prominent causes of the disturbances in the principality.

Everybody knows that good harbours, lights, buoys, &c. are of the greatest consequence to the security of shipping and the dispatch of navigation, and none can object to the charges

* The advantages of the proposed plan have been set in a clear light, and the objections to it ably discussed, in two tracts on "Road Reform," by William Pagan, Esq., of Cupar, the principal author of the project.

on their account provided they be confined within moderate limits. But if they exceed these their influence is very different. They then tempt the navigator to quit secure and expensive for more dangerous but cheaper channels. *Avara manus portus claudit; et cum digitos contrahit, navium simul vela concludit: merito enim illa mercatores cuncti refugiunt quæ sibi dispendia esse cognoscunt.**

The duty on sea-borne coal, though charged at the ports of importation, was properly a home or inland duty. It was originally imposed in the reign of William III., and was continued down to 1831, when it was finally repealed. After being long stationary at 5*s.* per chaldron, it was increased during the great French war to 9*s.* 4*d.* per chaldron, but was reduced in 1824 to 6*s.* Scotland enjoyed for a considerable period an exemption from this tax, which fell principally on the metropolis and the southern parts of England, which are almost wholly dependent on water-borne coal.

The tax was in the highest degree partial and oppressive; partial because it only affected those parts of the empire to which coals had to be carried by sea; and oppressive because it added full 50 per cent. to the price paid to the coal-owner for an important necessary of life and the most efficient instrument of manufacturing industry. But it is needless to dwell on the demerits of a tax so contradictory of all principle, and so mischievous in its operation. Indeed, as Smith has justly stated, "if a bounty could in any case be reasonable, it might perhaps be so upon the transportation of coals from those parts of the country in which they abound to those in which they are wanted."†

It is to be regretted that when the coal-tax was repealed in 1831, a local duty on the coal brought by sea to London had to be retained to defray the cost of certain improvements in

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* Cassiod. lib. vii. cap. 9.

† "Wealth of Nations," p. 395.

that city. It has been said that it is doubtful whether a further reduction in the price of coal would not have been a more desirable improvement than any which the duty is kept up to effect. But it is too small to have any material influence in lessening the consumption of coal.*

ACCOUNT of the NETT RECEIPT of the LAND and ASSESSED TAXES in the Years ended 31 March 1861 and 1862.

	£	£
Land Tax - - - -	1,145,341	1,135,221
Inhabited Houses - - -	822,936	826,623
Servants - - - -	202,105	201,347
Carriages - - - -	330,192	332,749
Horses - - - -	368,242	368,825
Dogs - - - -	197,520	196,527
Horse Dealers - - -	14,110	14,317
Hair Powder - - -	1,157	1,114
Armorial Bearings - - -	57,119	56,926
Game Duty - - - -	3,733	Transferred to Excise.
Additional 10 per cent. per 3 Vict. c. 17.	1,986	1,431
Nett Receipt - - - £	3,144,441	3,135,080

SECTION III.—STAMP AND LEGACY DUTIES.

1. *Stamp-Duties.*

These duties form the third great branch of revenue in the United Kingdom, being the next most important after the Customs and Excise. They are imposed on written or printed instruments, and derive their name from the paper or other material used in such instruments being commonly impressed with a stamp showing the amount of the duty paid.

The greater number of the duties included under this head have little or no connexion with each other, beyond that of the mode in which they are levied, and have nothing in

* The repeal of the duty on sea-borne coal was preceded, and perhaps promoted, by a pamphlet by the author of this work, entitled "Observations on the Duty on Sea-borne Coal, and on the Peculiar Duties and Charges on Coal in the Port of London," 8vo. 1830.

common in their policy or effect. Among others are duties on policies of assurance; on appointments to offices of various kinds; on the grants of dignities and marks of distinction (the least objectionable of all taxes); on the certificates and licences which are required to the exercise of certain professions or trades, as those of attorney, appraiser, auctioneer, pawnbroker, brewer, distiller, &c. But the most important are the stamp-duties on the different kinds of conveyances and leases, mortgages, bonds and settlements, and on the deeds and written instruments by which contracts are made or authenticated; and the duties (which are classed among the stamp-duties) on legacies and on property passing from the dead to the living.

The stamp-duties on "the instruments of conveyance, contract, obligation, and security for money," are, in effect, taxes on the sale and transfer of property, and on the authentication of the evidence of other contracts, and (as the law in some cases makes writing essential to the validity of a contract) on the contracts themselves.

Taxes on the sale and transfer of property would be more objectionable than they seem to be if the doctrine of Adam Smith were true, that they fall wholly on the seller, and are paid out of the wreck of his fortune: "Taxes upon the sale of land," he observes, "fall altogether upon the seller. The seller is almost always under the necessity of selling, and must therefore take such a price as he can get. The buyer is scarcely ever under the necessity of buying; he will, therefore, only give such a price as he likes. He considers what the land will cost him in tax and price together. The more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price. Such taxes, therefore, fall almost always upon a necessitous person, and must, therefore, be frequently very cruel and oppressive."—(p. 389.)

But in the sales of fixed as of other property, there is a competition among buyers as well as among sellers. There are those who wish to buy estates as well as those who wish

to sell them; money seeking an investment as well as land seeking a purchaser. A grocer must sell the tea and sugar in his shop, and no one needs buy either of him; but would it, therefore, be correct to say that he paid the duties on these articles? Notwithstanding the assent it has so generally received, the assertion of Smith would not be in any degree correct but for the circumstance of there being some kinds of property, or investment, such as funded property and the stocks of some of the great corporations, exempted wholly or in part from the duties on sales. But despite the disturbing influence of these untaxed investments, and the occasional occurrence of "forced sales," a large proportion of the tax on the sale of lands certainly falls on the purchasers. In considering the expediency of sales, of which there are many for the purpose of division or convenience, the probable nett produce is as closely weighed by the owners as the probable return by intended purchasers, and any burthen on the transfer keeps land as well as buyers out of the market.

The only good objection to taxes on the transfer of land is that they obstruct transactions useful to the community.

It is an admitted principle, that every facility should be given to the conveyance and exchange of all kinds of property, inasmuch as that is the most likely means to make it find its way into the hands of those who will employ it most advantageously. "Why," asks Say, "does an individual wish to sell his land? It is because he has another employment in view in which his funds will be more productive. Why does another wish to purchase this same land? It is to employ a capital which brings him too little, which is unemployed, or the use of which he thinks susceptible of improvement. This exchange will increase the general income, since it increases the income of these parties. But if the charges are so exorbitant as to prevent the exchange, they are an obstacle to this increase of the general income." *

* Ricardo, "Principles," &c., p. 167. 3rd. ed.; and Say, "Traité d'Economie Politique," tome ii. p. 351.

The system of conveying land and other fixed property hitherto existing in England has been both expensive and insecure, and has been long and justly complained of. This, however, has not been occasioned by the taxes on its conveyance, but by there being no cheap and convenient methods of registering the deeds and bonds affecting landed property. This rendered it a very difficult matter to make out a valid title to an estate, or a title sufficient to secure the rights of the purchaser, and to hinder his being liable for unknown or unappreciated claims, such as those arising out of marriage settlements. Many attempts have been made to introduce an improved system; the obstacles to be overcome were, however, so great that they have generally been abandoned. But in the course of the present year a measure, the Act 25 & 26 Vict. cap. 53., has been adopted, which provides, among other things, for the registration of deeds affecting estates; and which, its supporters contended, on apparently good grounds, will give a much greater degree of facility and security to the transfer of property. And though these anticipations should be to some extent disappointed, yet the circumstance of such a measure being in existence will make it comparatively easy to remedy its defects, as they may be disclosed by experience, and to render it complete and effective.

A tax on the transfer of property should be imposed on an *ad valorem* principle, bearing an uniform proportion to the value of the property transferred. Thus, if it were 5*s.* on the transfer of property worth 50*l.* it should be 10*s.* on property worth 100*l.*, 5*l.* on property worth 1,000*l.*, 50*l.* on property worth 10,000*l.*, and so on in proportion for smaller or greater sums. And whenever duties diverge from this fair principle, whether in favour of smaller or greater amounts, they are in so far unjust and objectionable. This, also, ought to be the rule with all taxes on bonds and mortgages. And such, since 1850,* is, with few exceptions, the case with these duties.

* A very great improvement was effected in the assessment of the stamp-duties in that year by the Act 13 & 14 Vict. c. 97. It was introduced and carried through Parliament by Sir C. Wood, then Chancellor of the Exchequer.

Formerly a good many disputes, sometimes terminating in litigation, arose out of the difficulty of determining which was the proper stamp for a deed, bond, &c. But the Commissioners are now authorized, on receiving the moderate fee of 10*s.*, to guarantee the validity of the stamp.

A fixed duty of 1*l.* 15*s.* is charged on all deeds not liable to an *ad valorem* or other special duty. Its inequality is justly complained of. The values of the contracts which are evidenced by such deeds differ as much as the values of the estates which are the subject of conveyance. It may, however, be said in favour of an uniform tax in such cases, that the value of the contracts to which the deeds relate could not generally be ascertained with either facility or certainty. But where a tax of a fixed amount is imposed on subjects so unequal, the legislature should take care that it be not so heavy as to be oppressive to the lowest and most numerous class of tax-payers. The amount of this duty is now quite out of proportion to that on other instruments.

Heavy taxes on instruments of contract are open to objections similar to those which were successfully urged by Bentham against taxes on legal proceedings. They do not, indeed, prevent a party who has been injured from seeking legal redress, but they prevent the perpetuation of the evidence by which alone redress can be obtained, and sometimes load him with the expense of a fruitless litigation. They are taxes on those who have to bring themselves within the pale of the law; and many of them, like taxes on law proceedings, fall on the tax-payer at the moment of his greatest need.

Stamp-duties on the voluntary sale of commodities fall wholly on the consumer; for, unless such were the case, the commodities would not be offered for sale subsequently to the imposition of the duties. Thus, the duties on cards, dice, and newspapers are paid by those who buy them. Such duties differ in no respect, so far as regards their incidence, from the excise or customs duties laid on other articles.

A duty was imposed, for the first time, on newspapers, in 1712. It originally amounted to ½*d.* on papers of half a sheet or less, and to 1*d.* on those exceeding half a sheet and not exceeding an entire sheet. This duty, after successive augmentations, was raised in 1797 to 4*d.*, subject to a discount of 20 per cent. But its amount having become the theme of much complaint, it was reduced in 1836 by the 6 & 7 Will. IV. cap. 76. to 1*d.* The size of a newspaper bearing a penny stamp was then, also, fixed at 1,530 square inches letter-press on one side. If the sheet exceeded 1,530 but did not exceed 2,295 square inches the stamp was 1½*d.*, and if it exceeded 2,295 square inches it was 2*d.* A supplement not exceeding 765 square inches of letter-press on one side was charged with a duty of ½*d.* In Ireland, a discount of 25 per cent. was deducted from these duties.

The newspaper-duties produced under this system above 400,000*l.* a year; and being as moderate as could well be desired, there was, perhaps, no good reason why they should have been either reduced or repealed. They could hardly, indeed, be properly called duties, but were rather to be regarded as a payment for the trouble and expense attending the conveyance and distribution of newspapers by post, for which no charge was made. But it was argued that this charge should be exactly apportioned, or that it should be laid only on the newspapers which were actually put into the post-office. It was, in this view, proposed to repeal the stamp-duty on newspapers, and to impose in its stead a charge of 1*d.* on those sent, or that may be sent, by post. And after a good deal of discussion this proposal was adopted, and has been acted on since the 30th June 1855. But we incline to think that this commutation was not a little objectionable. Its obvious tendency is to confine the circulation of newspapers to the districts within which they are published, a result which is not at all to be desired. Formerly "The Times" and other London journals, displaying the greatest talent, and embracing the most varied information, were distributed all over the

country at about the same price as the local and inferior journals. But under the new plan, the charge for postage being added to the price of the metropolitan journals, makes them decidedly dearer than the local papers; and people in very many, or rather, perhaps, in the majority of instances, are disposed to prefer the cheaper, though inferior, journal published at their door, to the superior, but dearer, journal of the capital. These conclusions are corroborated by the fact that the duty on newspapers, which amounted to 164,102*l.* in 1856–7, had sunk to 128,127*l.* in 1861–62, despite the increase of all sorts of journals in the interval. But though true in the main, this conclusion must be in some degree modified; for packets of papers are sent without the intervention of the post office, to be privately delivered to the subscribers. This arrangement can, however, only take place in the case of rather large towns; so that the inhabitants of the smaller towns and country districts must either use the journals published in their vicinity, or pay postage on those from a distance. We are disposed to consider this substitution of the provincial for the metropolitan journals as a serious disadvantage; and while we take some little credit for having endeavoured to show, in the last edition of this work, that such would most probably be the result of the scheme in the event of its being adopted, we regret that our anticipations should have been so strikingly confirmed.

A duty on advertisements is sometimes paid by one party and sometimes by another. Where advertising is necessary to the prosecution of a business, such, for example, as that of a publisher, the duty adds proportionally to the cost of the works he sells, and is, of course, paid by the public. Generally, however, it acts unequally, and sometimes oppressively. Can anything be more anomalous or unjust than to impose the same duty on a notice of the publication of a sixpenny pamphlet, or of a servant wanting a place, as on that of the sale of a valuable estate? Inasmuch, however, as it would

be quite impracticable to assess a duty of this sort on an *ad valorem* principle, the injustice cannot be obviated where it is kept up. Hence the repeal, in 1853, of the late duty of 1*s.* 6*d.* on advertisements was desirable, as well with a view to the getting rid of its inequality, as for permitting the free circulation of information important to all classes. The duty produced in 1852, 181,196*l.*

Perhaps the duty on fire-insurance is the most objectionable of the existing stamp-duties. It amounts to 3*s.* per cent. on all property insured; whereas the premium paid to insurance-offices for common risks is only 1*s.* 6*d.* per cent., or half the duty; so that, if a person wish to insure 1,000*l.* on a dwelling-house, shop, warehouse, or other commonly hazardous property, he pays 15*s.* to an insurance-office as an indemnification for the risk, and 30*s.* to government for leave to enter into the transaction! So exorbitant a duty cannot be too severely condemned. It discourages providence and foresight, the encouragement of which should be an object with all governments; and is the cause that much property is not insured, and that much which is insured is not sufficiently covered. Every individual, in fact, who insures any commonly hazardous property, is obliged to pay three times as much for the security he acquires as it is really worth. Hence the wonder is that so much property is insured, and not that a great deal is uninsured. Though useful, insurance is not indispensable, and it is not an easy matter to vindicate the expediency of buying security, or anything else, at very much more than its real value. The truth is that all rich men who, at present, insure houses, books, pictures, or other property against fire, act improvidently and foolishly; and are certain to lose by engaging in such transactions. As the law now stands, insurance is advantageous to those only who might be unable to replace their house, or other property, in the event of its being burned down, and who agree to pay much more than its real value for a guarantee against a loss they could not meet. The duty is especially oppressive to such persons, and they include all who ought to insure.

The produce of the duty on fire-insurances does not differ very materially from the produce of the late paper-duty; but there can be no question that it is incomparably the more objectionable of the two. Seeing the importance of insurance, it may, perhaps, be doubted whether it should be charged with any duty. But as the duty is easily collected and produces a large sum, its repeal would be highly inexpedient; were it, however, reduced to 1*s.* 6*d.* or 1*s.* per cent., its influence in repressing insurance would be greatly diminished, and the increase of business would be such that the reduced duty would probably in a few years yield as large a revenue as is derived from the present exorbitant duty.

Despite the obstructions which its magnitude throws in the way of insurance, it appears from the official accounts that the duty received on policies of insurance against fire amounted, for the United Kingdom, in 1861–62, to 1,534,842*l.* This, if the property insured were all commonly hazardous, would show that it amounted to the prodigious sum of 1,023,228,000*l.* But, as many of the risks are unusually hazardous, the property insured (for which duty is paid) is not so great as might be inferred from this statement, and does not, perhaps, exceed 750,000,000*l.* Insurances on farm-stock, barn-yards, &c., are exempted from the duty, and do not, therefore, appear in the above estimate of insured property.

The tax upon policies of marine insurance varies according to the amount of the premium. During the war with revolutionary France, this tax was raised to a very high rate; and as this was the only country in which, at that period, insurances could be effected, it produced a large amount of revenue. But after the peace, insurances even on British ships began, in consequence of the magnitude of the duty, to be effected in Holland, Hamburgh, and elsewhere. To prevent the loss of an important branch of business, and of the revenue arising therefrom, Lord Althorp took, in 1834, 50 per cent. from the duties; and instead of being reduced, their produce was increased by this diminution. The tax, however, was

still too high; and the revenue began again to decrease. But the judicious reductions that were effected in the duties by the 7 & 8 Vict. cap. 21., especially in those on the inferior risks, occasioned a revival of the business, and a less sacrifice of revenue than might have been anticipated. The duty produced in 1861–62 the sum of 335,198*l.*

The tax on receipts, or acquittances for money, was introduced in 1783. It was charged, down to 1853, according to an *ad valorem* scale, which, however, was not fairly applied, the duty pressing with much greater severity on small than on large sums. But in that year the duty was reduced to an uniform rate of 1*d.* on all receipts for sums of 2*l.* and upwards; and a duty of 1*d.* was at the same time imposed on all cheques or orders for money payable on demand. These duties produced in 1861–62 a total sum of 423,955*l.* It has been proposed to raise the duty on receipts to 2*d.*, and it may be doubted whether such increase would sensibly affect the number of receipts.

Since 1711 cards and dice have been subject to duties, which have amounted, since 1828, to 1*s.* per pack on cards, and 20*s.* per pair on dice. But in the course of this year (1862) the duty on cards has been reduced to 3*d.* per pack; the licence duty on the makers being then, also, raised from 5*s.* to 20*s.*, while other vendors of cards are charged with a licence duty of 2*s.* 6*d.* It is not very easy to see the object of these changes. In 1861 duty was paid on 272,740 packs of cards, being a greater number than had been brought to the charge in any year previously to 1858. One would have thought that a reduction of the duty from 1*s.* to 6*d.* might have sufficed to stimulate the consumption of this article.

Stamp-duties were first levied in Holland. Most of the accustomed methods of taxation having been resorted to, the republic, in order to provide additional funds for carrying on her contest with the Spanish monarchy, and to widen the basis of taxation, wisely offered a considerable reward to

any one who should devise the best new tax. Among many other taxes, that of the *vectigal chartæ*, or stamp-duty, was suggested; and having been approved of, it was introduced by an ordinance issued in 1624, setting forth its necessity, and the benefits which it was supposed would result from its imposition.* Since that period stamp-duties have become almost universal, and form a prominent branch of the revenue of almost every country; affording a striking example of the justice of Adam Smith's caustic remark, that "there is no art which one government sooner learns of another than that of draining money from the pockets of the people." They, however, deserved to be copied; being, when imposed on fair principles, and not carried to too great a height, a most legitimate source of revenue.

Stamp-duties were introduced into England in 1671, by a statute entitled "An Act for laying Impositions on Proceedings at Law." The duties were at first granted for nine years only, and were afterwards continued for three years more, when they were allowed to expire. They were again revived in 1693; and though they have been gradually and greatly increased, they are still susceptible of judicious enlargement.

2. *Legacy and Succession Duties,*

Or duties on the transfer of property from the dead to the living, are now a very common species of tax. The *vicesima hereditatum*, or twentieth penny of inheritances, imposed by Augustus on the Romans, is, perhaps, the earliest example of a tax on successions. Dion Cassius (lib. lv.) informs us that this duty was laid on all successions, legacies, and donations in case of death, except upon those to the nearest relations and to the poor. Pliny has given some of the reasons for this

* Beckman's "History of Inventions," vol. i., p. 379. Eng. Trans.

exception; in speaking of the *vicesima*, he calls it *tributum tolerabile et facile hæredibus duntaxat extraneis, domesticis grave.* And a little after he adds, *Itaque illis* (that is, strangers) *irrogatum, his* (that is, near relations) *remissum, videlicet, quod manifestum erat, quanto cum dolore, laturi, seu potius non laturi homines essent, distringi aliquid et abradi bonis, quæ sanguine, gentilitate, sacrorum denique societate meruissent, quæque nunquam ut aliena et speranda, sed ut sua semperque possessa, ac deinceps proximo cuique transmittenda, cepissent.* (Panegyricus, cap 37.) In addition to these reasons for exempting the successions of near relations from the *vicesima*, it has been said that the death of a father is seldom attended with any increase, and frequently with a considerable diminution, of revenue to such of his children as live in the same house with him; and that when this is the case, the burdening of his inheritance with a tax is a galling and cruel aggravation of their loss. But, on the other hand, it not unfrequently happens that the death of masters of families places fortunes at the disposal of their children or other descendants; and, on the whole, there seems to be no good ground, provided the duty be moderate, for exempting them from its influence. Those on whom an unexpected or remote inheritance devolves are glad to accept it on any condition; and uniformly pay such duties as may be laid on it with greater good will than any other impost.

The principal objection to taxes on successions, or on the transfer of property from the dead to the living, depends, it is said, on the circumstance of their falling wholly on capital without probably occasioning any effort to replace it, either by increased exertion or economy. "If," says Ricardo, "a legacy of 1,000*l.* be subject to a tax of 100*l.*, the legatee considers his legacy as only 900*l.*, and feels no particular motive to save the 100*l.* of duty from his expenditure; whereas, had he received the 1,000*l.*, and been required to pay the 100*l.* by means of a tax on income, on wine, on horses, or on servants,

he would probably have diminished, or rather not increased, his expenditure by that sum, and the capital of the country would have been unimpaired."* It might, however, be inexpedient to impose or increase any one of the taxes suggested by Ricardo; and, provided the tax on successions be kept within due limits, we doubt whether the considerations he has stated be entitled to much weight. The great bulk of property goes to immediate descendants, and on that the tax is so inconsiderable, that though it were doubled, as has sometimes been proposed, it would have but little influence. It is further to be borne in mind that the party making the legacy is aware that it will be subject to the tax; and he has, in consequence, an additional motive to save and amass, that his heirs may not be prejudiced by its payment. The presumption, indeed, is, that the sum he has left them, *minus* the duty, is the sum he intended they should receive; for otherwise he might (or at least the greater number of legators might) have defeated the tax by making them a gift in whole or in part of the property during his lifetime. It would, therefore, appear that the general lightness of the duty, the stimulus to accumulate it gives to parties leaving property, and the circumstance of its being imposed when the contributors are receiving money or other property, and when, therefore, they can easily pay it, are sufficient answers to the objections against it. Indeed, we are inclined to think that, when confined within reasonable limits, and fairly assessed, it is an extremely good tax.

There are other considerations connected with a tax on successions of great practical importance, which, as they have been well illustrated by Mr. Brodie, in his able tract on this subject, we shall take leave to lay before the reader in his own words.

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* "Principles of Political Economy," 1st ed. p. 191.

"Of all direct taxes," says Mr. B., "none can be found less open to objection than a tax on successions. If a person, on his first coming into the enjoyment of property, pays a portion of it at once to the state, he would make the payment more willingly than if he were to be harassed by the periodical visits of the tax-gatherer for payments of a portion of his income, to meet which he must be continually making sacrifices. The hardship of the tax, which is only to be once paid, can be nothing in comparison with the hardship of a tax which is to be continually recurring. It has, also, another decided advantage from its being taken out of property *in transitu* before the new owner comes into its actual enjoyment. It is levied at the precise time when he acquires his fortune, or an increase of it. He has not, therefore, to contract his expenditure and diminish his enjoyments or lessen his savings. He is only prevented from launching out into so great an expenditure or making such savings as his new acquisition would have warranted if the amount of the tax had not been deducted. In short, the withholding from him what he has never enjoyed, cannot be compared to the deprivation which a person may have to undergo, who may have to provide for the payment of any other direct tax. The severity of any other direct tax may, in some degree, be mitigated in process of time, after its imposition, by persons accommodating themselves to it, and may, after a lapse of time, be wholly done away with when the tax has become permanent; and the persons succeeding to land so taxed take the land subject to the tax, and have, therefore, never enjoyed it exempt from the tax. But even then, of the two direct taxes, a tax which is not to be periodically demanded, and is only to be paid at the time when the party who is to pay it has an acquisition of property, and has not had the actual benefit of such acquisition, must be the preferable tax of the two."*

* "Tax on Successions," &c., by P. B. Brodie, Esq., Barrister-at-Law.

In England a stamp-duty has been charged since 1694 on the probates of wills disposing of personal property, and on letters of administration, in cases where the possessors of such property have died intestate. The duties in both cases are as follows, viz. :—

DUTIES ON PROBATES OF WILLS AND LETTERS OF ADMINISTRATION.

VALUES.	Probate Rate of Duty.	Letters of Administration, Rate of Duty.	VALUES.	Probate Rate of Duty.	Letters of Administration, Rate of Duty.
Above the value of:—	£ s.	£ s.	Above the value of:—	£	£
£20 and under £50	0 0	0 10	£1,500 and under £2,000	40	60
50 „ 100	0 0	1 0	2,000 „ 3,000	50	75
20 „ 100	0 10	0 0	5,000 „ 6,000	100	150
100 „ 200	2 0	3 0	6,000 „ 9,000	160	240
200 „ 300	5 0	8 0	9,000 „ 10,000	180	270
300 „ 450	8 0	11 0	10,000 „ 12,000	200	300
600 „ 800	15 0	22 0	20,000 „ 25,000	350	525
8,000 „ 1,000	22 0	30 0	50,000 „ 60,000	750	1,125
1,000 „ 1,500	30 0	45 0	100,000 „ 120,000	1,500	2,250

And so on to 1,000,000*l.* and upwards, which pays a probate duty of 15,000*l.* and a duty on letters of administration of 22,500*l.*—(See Tables annexed to the Act 55 Geo. III. c. 184.)

Though sound in principle, these duties are assessed so as to be open to two very serious objections. In the first place, those on probates are heavier when the successions are small and moderate than when they are large ; and in the second place, those on letters of administration are heavier than those on probates.

In illustration of the first and most important of these objections, we may observe that the probate duty is pretty fairly assessed on small sums of 2,000*l.* and under, but after passing that limit, and especially after the sums assessed amount to 4,000*l.* and upwards, the partiality of the law in favour of large successions is strikingly obvious. Thus, as seen above, the duty on a succession of 1,000*l.* is 30*l.*, so that were it assessed on a fair *ad valorem* principle it should amount to 300*l.* on a succession of 10,000*l.*, to 1,500*l.* on a succession of 50,000*l.*, and to 3,000*l.* on a succession of 100,000*l.* ; whereas it really amounts to 200*l.* on the first, to

750*l.* on the second, and to 1,500*l.* on the last; that is, in the first case to two-thirds, and in the others to only half what it should be were the larger as heavily taxed as the smaller sums. On a succession of a million the duty is 15,000*l.*, whereas it ought to be 30,000*l.*, and there is no greater duty than 15,000*l.*, how large soever the succession may be. And though no doubt the cases of succession of more than a million be few and far between, yet they do occur, and, when such is the case, what good reason can be assigned for exempting them from a corresponding increase of charge? The *millionaire* is surely as well able to pay the duty as the man of middling or small fortune.

Those who attempt to palliate or excuse preferences of this sort, undertake a rather difficult task. We have previously shown how unjust it would be to impose higher rates of duty on the incomes or properties of the rich than are laid on those of their less opulent brethren. But to reverse the injustice by burdening the successions of the latter with higher duties than are charged on successions devolving on the others, is a still more flagrant abuse. An offensive anomaly of this sort should not be permitted to disgrace our fiscal code. It outrages the feelings of the public and their sense of justice; and may, some day or other, become a precedent of dangerous import. There should be no favouritism in taxation; and, above all, no favour should ever be shown to the wealthy at the expense of the less affluent portions of the community.

It may, perhaps, be worth while to mention that, instead of proposing to amend the present system by equalizing the legacy-duties, some authorities have proposed to assess them according to a graduated scale, increasing upon the larger amounts, to fix a limit which successions should not exceed, and to appropriate the surplus, if there be any, beyond their payment, to the service of the state! It is needless to make any lengthened remarks on a project of this sort. It is neither more nor less than an undisguised scheme of confiscation, and

like all schemes of the sort, it would be most pernicious. At present individuals, however rich, continue to accumulate. They know that whatever other follies the legislature may have committed, it has not yet regarded, and they believe that it is very unlikely it will ever regard, accumulation as a vice to be repressed by pecuniary penalties, or that they will be prevented from disposing at pleasure of their fortunes. But if every increase of a man's disposable wealth were to lead, in the event of his death, to an increased duty on successions, it would either make him relax in his efforts to amass, or tempt him to defeat so odious an impost by disposing of the greater portion of his fortune during his lifetime, or it might operate partly in the one way and partly in the other. It is, indeed, all but certain that an unjust impost of this sort, besides its effect in checking the increase of capital, would be less productive than a reasonable tax fairly assessed. A treasury can never be permanently supplied with a large revenue except by moderate taxes imposed on equitable principles. A tax like that which we have now noticed might at first be productive. But it would very speedily fall off, as well by the check which it would give to industry, as by the innumerable devices that would be fallen upon to defeat it.

The charging letters of administration with higher duties than probates is equivalent to imposing higher duties on property left intestate than on that left by will. But it is difficult to discover any sufficient reason for such a distinction. The intestacy of individuals is, in the great majority of cases prejudicial to those for whom they ought to have made provision, and to impose a higher duty on property so left appears to be a wanton aggravation of the injury done the latter by accidental circumstances, or by the neglect or carelessness of their deceased relatives.

But the principal defect of the probate and administration duties does not consist so much in their inequality as in the

contracted sphere of their operation. They affect only personal property. But there are no sufficient grounds why it should be subjected to a peculiar tax of this description. Unless the duty be repealed, which would be a most unwise proceeding, it should be extended to all sorts of property. And, supposing this to be done, and the duty made to apply according to a fair *ad valorem* principle to all descriptions and amounts of property, it would not be open to a single good objection, and would yield a large sum. But, as at present (1862) constituted, the duties on probates and administrations are partial, unjust, and not nearly so productive as they might be without becoming oppressive.

A and B succeed, the former to 10,000*l.* in money or other personal property, on which he pays a probate duty of 200*l.*,* and B to 10,000*l.* in land or other freehold property, on which he pays nothing. It would be paying but an indifferent compliment to the reader to waste his time by dwelling on the flagrant injustice of a distinction of this sort. Whether a man vest his fortune in money or in land is his own affair. When government imposes taxes on its transfer from the dead to the living, its duty is plain and simple—to ascertain the amount to be transferred, and to impose on it the same rate of duty, without regard to the form or way in which it may be invested. To exempt land and freehold property from such duties is plainly an abuse. Disguise it as you may it will be said, and we believe truly, that it is a consequence of the superior influence which the landed gentry have had in the legislature.† And is it to be supposed, if such a precedent be suffered to exist, that it will not be quoted to excuse or justify the increase of the peculiar taxes affecting land? Such preferences and inequalities are in the last degree objectionable. They seldom fail to be in the end ruinous to the

* As already seen it ought to be 300*l.*

† See Mr. Bright's Letter to the People of Birmingham, 10th October 1859.

favoured party. Those only who are anxious for the subversion of the existing order of things can wish for their continuance.

Besides those on probates and administrations, duties are imposed on legacies and successions to real and other property. These vary in amount according to the propinquity of the legatees or heirs to the deceased. They are 1 per cent. on property passing to a child or parent, or to any lineal descendant or ancestor of the deceased; 3 per cent. when it passes to a brother or sister, or their descendants; 5 per cent. when it passes to uncles or aunts, or their descendants; 6 per cent. when it passes to great uncles and aunts, &c.; and 10 per cent. when it passes to other relations or strangers.

This duty was first imposed in 1780. But for a lengthened period it only affected personal property, and it was not, indeed, till 1853, that it was extended to all sorts of property, whether personal or real (16 & 17 Vict. c. 51.) Besides being required to obviate the injustice of exempting one description of property from a duty that was imposed on others, it was supposed that the extended tax would yield a large amount of revenue. But in this respect the anticipations of its projectors have not been realized. Of 2,273,765*l.*, the entire produce of the legacy and succession duty in the year ended 31 March 1862, only 599,739*l.* was derived from real property. This comparatively limited produce appears to be a consequence partly of fixed property descending more in the direct line than personal property, and of a greater portion of it being in consequence subjected to the low duty of 1 per cent. There is, however, no doubt that the mode in which the tax is assessed on real property has been mainly instrumental in reducing its produce below what was anticipated. If a stranger succeed to 10,000*l.* personal property, he is charged with 10 per cent., or with 1,000*l.* of duty; but if he succeed to land or other real property worth an equal sum, he is

otherwise treated. In that case he is not regarded as an absolute proprietor, but merely as an annuitant. And the present value of the annuity to which he has succeeded is determined by the annual value (under certain specified deductions) of the property, the age of the successor or legatee, and computations founded on the annuity tables appended to the Act imposing the duty. But why should the mode of charging the duty, as well as the duty itself, not be identical on all sorts of property? And why, if an individual succeed to an estate or other real property, which, after allowing for the burdens upon it, is worth or would sell for a certain sum, should not the full duty be imposed on that sum, whatever it may be? This would be a plain and apparently an equitable proceeding; for it is not easy to see why one variety of property should be dealt with in one way, and another in a different way.

It may be said, perhaps, that the reason of the discrepancy is to be found in the fact that real property is frequently subjected to entails and family settlements, and that its inheritors are then merely annuitants. But though this be the case, still it is to be borne in mind that a vast deal of property is not subject to such fetters; and that in the great majority even of the cases in which it is fettered, the heirs to whom it descends are the very parties to whom the holders would leave the property were it at their free disposal. So that, in these instances, it is practically the same as if it were unfettered, and may, without any sort of injustice, be treated as such.

On the whole, therefore, and admitting that at first it might occasionally inflict some hardship, still it seems reasonable that the tax should be imposed in the same way on fixed as on personal property; that is, on the nett market value of the succession; or on its value, deducting the burdens upon it. And such portions of these as consisted of provisions for widows, younger children, &c., ought all to be valued and subjected to the duty.

Were the duty established on a footing of this sort, its operation being universally known, all who had settlements to make would take their measures accordingly; and, such being the case, their successors would have but slender grounds for complaining of the tax, inasmuch as anything that happened to be peculiarly severe or vexatious in it must have grown out of the way in which the property had been settled. And it will be generally admitted that there can be no better subjects for extra taxation than settlements intended to fetter the descent of property, or to divert it into channels into which it would not otherwise have flowed.

The result of the present system of assessing the tax on real property is such that it is not supposed to yield half what it would yield, were it assessed in the same way that it is assessed on money and other personal property. It would require very conclusive reasons to justify a distinction of this sort. And, as none such really exist, the sooner the discrepancy is terminated, and the duty assessed in the same way on all descriptions of property, the better will it be for all parties, and especially for those who are short-sighted enough to suppose that they are benefited by the present system.

Landlords, not being generally well supplied with ready money, might have some difficulty in paying at once a considerable amount of duty; and, to obviate any inconvenience of this sort, the duty is made payable in eight successive half-yearly instalments.

The succession duty on property descending in the direct line might, with little inconvenience, be doubled, or increased from 1 to 2 per cent. Suppose 100*l.* or 1,000*l.* is left to a son or daughter, it must be nearly immaterial whether they receive 98*l.* or 980*l.*, instead of 99*l.* or 990*l.* But to the public the change would probably produce about 450,000*l.* a year.

ACCOUNT of the NETT RECEIPT of the STAMP and LEGACY DUTIES in the Years ended 31st March 1861 and 1862.

	1861.	1862.
	£	£
Deeds and other Instruments	1,827,348	1,336,152
Bills of Exchange and Promissory Notes	571,229	549,759
Bankers' Notes	2,726	2,456
Composition for Bankers' Bills and Notes	69,487	67,425
Receipts and Drafts	436,602	423,955
Probates of Wills and Letters of Administration, and Testamentary Inventories.	1,288,294	1,307,307
Legacy and Succession Tax	2,161,825	2,266,350
Fire Insurances	1,485,540	1,534,842
Marine Insurances	325,342	335,198
Patent Medicines	44,786	44,270
Cards and Dice	14,533	13,637
Probate Court Fee Stamps	57,705	109,199
Licences and Certificates	219,251	246,646
Gold and Silver Plate Duty	67,035	57,064
Newspapers	134,090	128,127
Law, Equity, Exchequer, and Chancery Fund (Ireland).	38,594	43,918
Admiralty Court Fee Stamps	9,025	9,616
Divorce and Matrimonial Causes Fee Stamps	2,619	2,624
Patents for Inventions	104,758	102,052
Total £	8,360,789	8,580,597

SECTION IV.—LICENCE DUTIES.

These consist, as the name implies, of sums charged for licences to carry on certain branches of industry, and to exercise certain professions; being levied upon brewers, distillers, maltsters, tobacco and snuff manufacturers, &c.; on dealers in beer, spirits, wine, coffee and tea, gold and silver plate, &c.; and on pawnbrokers, auctioneers, appraisers, &c. While, however, nothing is easier than to enact that those who carry on certain businesses or professions shall pay a licence duty, few things are more difficult than to assess it on a fair principle. If the same duties be laid on those engaged in different businesses or professions without reference to the extent of their dealings, it is abundantly obvious that they

will in most instances press with peculiar severity on those who carry on business on a small scale, or whose services are in little demand, and fall lightly on those who carry it on upon a large scale, or whose services are in great demand. For, if on the one hand, the prices of the commodities produced or services rendered by the former be raised to indemnify them for the tax, such rise will more than indemnify the latter; while, on the other hand, if the price of commodities and services be not raised (as would certainly be the case in every nineteen out of twenty instances *), a burden would be imposed on petty manufacturers and tradesmen, which would not be felt by those who carry on business on an extensive scale. It is, therefore, indispensable to the imposition of licence duties on a fair principle, that the amount of business carried on by the parties should be taken into account. And in the case of brewers, distillers, and others, the extent of whose businesses may be easily ascertained, its magnitude may be taken as the measure of their capacity to bear a corresponding tax. It is true, strictly speaking, that the extent of the business of an individual or company is no sure index of his or their profits. But, as already seen, it is idle to attempt to discover nett profits, so that taxes intended to fall upon them must either be abandoned or assessed upon some assumed basis, such as the magnitude of the business whence they arise, which may, at an average, approach sufficiently near the truth for practical purposes.

Some of the existing licence dutes are charged on those engaged in businesses the extent of which cannot be known. Dealers in foreign wine, for example, are burdened with a licence duty of 10*l.* 10*s.* each, though the business carried on by a first-rate house in the metropolis may be a hundred times more extensive and profitable than that carried on by a dealer

* The superior class of manufacturers would, in fact, have no motive to raise their prices, and consequently it would not be in the power of the others to raise theirs.

in a small country town. Auctioneers, too, are indiscriminately obliged to take out a licence charged with a duty of 10*l.*, and though some of them be making large incomes by their profession, there are others, especially in remote parts of the country, who hardly perhaps make enough to pay the duty. It is, indeed, quite impossible to assess such duties proportionally to the incomes of the contributors. They are consequently liable to the objections made to capitation taxes imposed according to the rank, station, or profession of the party without reference to his means or ability to bear them. Such taxes may not be much objected to so long as they are confined, as at present, within narrow limits; but they are too contradictory of the plainest principles ever to become prominent sources of income.

It has sometimes been proposed to charge, in imitation of the French, licence duties on manufacturers and shopkeepers proportioned to the value of the buildings or works in which they carry on their business. But this value is no index of the value of the produce manufactured, or of the business transacted. Manufacturers who employ their industry upon bulky and not very valuable products, often require extensive and costly buildings and workshops, though the capital employed in the business, and the amount of profit, may be less than that of others who carry on their business in less valuable premises. In like manner, a shop in a fashionable part of a town may cost 500*l.* a year, while a similar shop in an inferior situation may cost only 100*l.*, and yet it frequently happens that the profit realized by the occupier of the cheaper exceeds that made by the occupier of the dearer shop. It is, therefore, quite nugatory to propose assessing licence duties on such inapplicable bases. They should be applied only to those businesses the extent of which may be estimated on reasonable grounds, and when so limited, they appear to be as unobjectionable as most taxes.

A licence duty of 4*l.* on all persons travelling through the country as hawkers and pedlars, and of 4*l.* on every horse or

other animal used by them, was imposed in 1697, and is still kept up. It is believed, however, that this duty was originally contrived and has been continued, rather to conciliate the shopkeepers, by whom itinerant dealers are regarded as a sort of interlopers, than with a view to the acquisition of revenue. In this latter respect, indeed the duty is of little importance, being productive only of a trifling sum. But whatever may be thought of the duty at present, when well-furnished shops are to be found in most parts of the country, and it is everywhere intersected by good roads, it might, when first established, have been justly objected to. There were then many extensive districts in the remoter parts of the kingdom without either towns or shops, while, from the badness of the roads, it was often no easy matter to visit those at no great distance. The farmers and others resident in such districts were, consequently, in great measure dependent for supplies of various articles on the visits of the itinerant dealers. And the licence duties, by diminishing the number of the latter, would also, by diminishing their competition with each other, enable them to get somewhat higher prices for their goods than if the trade had been free. At present, the facility of getting to shops, and the competition among the shopkeepers, go far to render the intervention of hawkers and pedlars unnecessary. Inasmuch, however, as their business affords peculiar facilities for the practice of various sorts of frauds, we incline to think that as a measure of police it may be as well, perhaps, to retain a small duty by way of registration. The existing law should, however, be revised. It is full of anomalies, and affords opportunities, which are sometimes made use of, for perpetrating acts of an oppressive and unjust description.

About the middle of last century Mr. W. Richardson, one of the best-informed merchants of his day, made a proposal,*

* See "Essay on the Causes of the Decline of Foreign Trade." 4to. London, 1744. Dr. Smith and others have ascribed this work, but erroneously, to Sir Matthew Decker. See "Literature of Political Economy," p. 329.

which attracted a good deal of notice, for repealing all the taxes then subsisting, and replacing them by licence duties charged on the consumers of certain articles. But there are innumerable objections to such a project, some of which have been pointed out by Adam Smith. It is sufficient to observe, that if the licence duty to be paid by individuals who have expensive establishments were to be the fair equivalent of the various sums which are now directly and indirectly drawn from them, it would be so large that it would frequently be difficult for them to make, and, speaking generally, impossible for the officers to enforce, its payment. As respects the inferior and labouring classes, it would be still worse. The taxes on the tea, sugar, tobacco, beer, and other articles which they make use of, being paid by degrees as the articles are wanted, are little felt, and seldom thought of by them. But were the daily and imperceptible payments which are thus spread over a twelvemonth consolidated into a single sum, and an equivalent duty demanded for a licence to consume, it would appear to be most oppressive. The chances, indeed, are ten to one that no adequate provision would be made to meet so large an outgoing; and we run no risk in affirming that it would not be paid in one case out of fifty; and that no government which attempted to levy such a tax would exist for six months. And even if the scheme were practicable, it would be most unjust. At present a man pays according to his consumption; whereas, if licence duties were substituted for those on different articles, the prodigal and the parsimonious, the temperate and the intemperate, would be charged alike. But it is needless to dwell on such a crude project. We may be assured that it is only by taxing commodities in general demand, and by identifying, as it were, the tax with the cost of the article, that the bulk of the population can ever be made to contribute largely to the support of government.

Licence duties, or *Droits des Patentes*, are carried to a much greater extent in France than in England. They were imposed for the first time in 1791, and were intended to replace

the old contributions raised under the names of *Jurandes, Maîtrises*, &c. Proprietors and occupiers of land are exempted from this species of taxes, which fall exclusively on the other classes. The legislation with respect to the *Droits des Patentes* is exceedingly complex, and gives rise to a great deal of litigation and dissatisfaction. The contributors are divided into five different classes; the distribution depending partly on the nature of the business in which they are engaged, partly on the population of the place in which it is carried on, partly on the extent and value of the premises, &c. It is needless after what has been stated above to enter into any further details to show the unequal pressure of these duties. This inequality is, indeed, admitted by the French authorities, and the tax exists only because it is established, and because of the difficulty of providing a substitute. It produced, in 1842, including the *Centimes Additionels*, 35,434,500 fr., or 1,417,380*l*.

RETURN of Licensed Trades and Professions in the United Kingdom in 1862, with the Amount of Duty charged on each.

EXCISE.

Description of Trade.	Rate of Licence. £	s.	d.
Auctioneers	10	0	0
Brewers of beer for sale. If the quantity of beer brewed within the year ending the 10th October, previous to taking out such licence, shall not exceed 20 barrels	0	12	6
Exceeding 20 and not exceeding 50 barrels	1	7	6
Exceeding 50 barrels	2	0	0
Exceeding 100 and not exceeding 1,000 barrels, then for every 50 and fractional part of 50 barrels above the first 100 barrels, the additional sum of	0	15	0
Exceeding 1,000 and not exceeding 50,000 barrels, then in addition to the duty on 1,000 barrels, for every 50 and fractional part of 50 barrels over 1,000 barrels, the further sum of	0	14	0
Exceeding 50,000 barrels, then in addition to the duty on 50,000 barrels, for every 50 and fractional part of 50 barrels over 50,000 barrels, the further sum of	0	12	6
Beginners	0	12	6

Description of Trade.	Rate of Licence. £	s.	d.
Beer dealers	3	6	1¾
Beer retailers (victuallers in England and Ireland), rated under 20*l.* per annum	1	2	1½
Beer retailers (at 20*l.* per annum or upwards)	3	6	1¾
Ditto (Scotland) rated under 10*l.* per annum	2	10	0
Ditto, at 10*l.* per annum or upwards	4	4	0
Ditto (England only), under 4 & 5 Will. c. 85, to be drunk on the premises	3	6	1¾
Ditto, not to be drunk on the premises	1	2	0½
Retailers (table beer), at a price not exceeding 1½d. per quart not to be drunk on the premises	0	5	0
Cider retailers (England only)	1	2	0½
Coffee, tea, and pepper dealers	0	11	6½
Distillers. *See* Spirits.			
Game licences (Great Britain) and Game Certificates (Ireland):			
If taken out after 5th April and before 1st November, to expire on 5th April, year following	3	0	0
Ditto, to expire on 31st October in same year in which taken out	2	0	0
Ditto, if taken out after 1st November, to expire 5th April following	2	0	0
Gamekeepers' licences (Great Britain), to expire 5th April annually	2	0	0
Ditto (Ireland), to expire 5th April	3	0	0
Ditto, to expire 31st October in year in which taken out	2	0	0
Ditto, if taken out after 1st November, to expire 5th April following	2	0	0
Game dealers, to expire 1st July annually	2	0	0
Hackney carriages, to keep (London)	1	0	0
Maltsters: If the quantity of malt made within the year ending the 5th July shall not exceed 50 quarters	0	7	10½
Exceeding 50 and not exceeding 100 quarters	0	15	9
„ 100 „ 150 „	1	3	7½
„ 150 „ 200 „	1	11	6
„ 200 „ 250 „	1	19	4½
„ 250 „ 300 „	2	7	3
„ 300 „ 350 „	2	15	1½
„ 350 „ 400 „	3	3	0
„ 400 „ 450 „	3	10	10½
„ 450 „ 500 „	3	18	9
„ 500 „ 550 „	4	6	7½
„ 550 quarters	4	14	6
Beginners to pay 7*s.* 10½*d.*, and within 10 days after the 5th July following, to pay the difference between that sum and the licence duty chargeable on them at the above rates, for the quantity of malt made up to the said 5th July.			
Bye maltsters, not exceeding 5 quarters.	0	2	7½
Malt roasters	20	0	0
Ditto, dealers in roasted malt	10	0	0
Methylated spirit makers. *See* Spirits.			

Description of Trade.	Rate of Licence. £	s.	d.
Paper makers	4	4	0
Passage vessels or packet boats	1	1	0
Pepper dealers. *See* Coffee dealers.			
Postmasters (Great Britain), keeping one horse or one carriage only	7	10	0
Not exceeding 2 horses or 2 carriages	12	10	0
„ 4 „ 3 „	20	0	0
„ 8 „ 6 „	30	0	0
„ 12 „ 9 „	40	0	0
„ 16 „ 12 „	50	0	0
„ 20 „ 15 „	60	0	0
Exceeding 15 carriages (The amount of duty on the licence is not affected by the number of carriages exceeding 15, but it continues to increase with the number of horses.)	70	0	0
Exceeding 20 horses, then for every additional number of 10 horses, and for any additional number less than 10, over and above 20, or any other multiple of 10 horses, the further additonal duty of	10	0	0
Postmasters (Ireland)	2	4	1
Rectifiers. *See* Spirits.			
Refreshment houses (England and Ireland), rated under 30*l.* per annum	0	10	6
Ditto, ditto, rated at 30*l.* per annum or upwards	1	1	0
Soap makers	4	4	0
Spirits, distillers or rectifiers	10	10	0
Ditto, dealers not being retailers	10	10	0
Ditto, dealers retailing foreign liqueurs	2	2	0
Spirit dealers (Great Britain), additional licence to retail Foreign or British spirits in any quantity not less than a reputed quart bottle, and foreign liqueurs in the bottles in which imported, not to be drunk on the premises	3	3	0
Spirit retailers (England and Ireland, except spirit grocers in Ireland), rated under 10*l.* per annum	2	4	1
At 10*l.* and under 20*l.* per annum	4	8	2½
20 „ 25 „	6	12	3½
25 „ 30 „	7	14	4
30 „ 40 „	8	16	4½
40 „ 50 „	9	18	5½
50, or upwards	11	0	6
Spirits: Retailers of spirits and beer (Scotland), rated under 10*l.* per annum	4	4	0
At 10*l.* and under 20*l.* per annum	5	5	0
20 „ 25 „	9	9	0
25 „ 30 „	10	10	0
30 „ 40 „	11	11	0
40 „ 50 „	12	12	0
50, or upwards	13	13	0
Spirit grocers in Ireland retailing spirits, rated under 25*l.* per annum	9	18	5½
At 25*l.* and under 30*l.* per annum	11	0	6

Description of Trade.	Rate of Licence. £	s.	d.
Spirit grocers in Ireland, &c.—*cont.*			
At 25*l.* and under 30*l.* per annum	12	2	6½
40 „ 50 „	13	4	7¾
50, or upwards	14	6	7
Makers of methylated spirit	10	10	0
Retailers of ditto	2	2	0
Still makers (Scotland and Ireland)	0	10	6
Stills, chemists keeping or using	0	10	0
Sweet dealers	5	5	0
Sweets, retailers	1	2	0½
Stage carriage (original)	3	0	0
Stage carriage (supplementary)	0	1	0
Tea dealers. *See* Coffee dealers.			
Tobacco and snuff manufacturers. If the quantity of tobacco and snuff work weighed for manufacture within the year ending the 5th July shall not exceed 20,000 lbs.	5	5	0
Exceeding 20,000 lbs. and not exceeding 40,000 lbs.	10	10	0
„ 40,000 „ „ 60,000 „	15	15	0
„ 60,000 „ „ 80,000 „	21	0	0
„ 80,000 „ „ 100,000 „	26	5	0
„ 100,000 „	31	10	0
Beginners to pay 5*l.* 5*s.*, and within 10 days after the 5th July following to pay the difference between that sum and the licence duty chargeable on them at the above rates, for the quantity manufactured up to the said 5th July.			
Dealers in tobacco and snuff	0	5	3
Vinegar makers	5	5	0
Wine dealers, not licensed to retail spirits and beer	10	10	0
Wine retailers, licensed to retail beer and not spirits	4	8	2½
Ditto licensed to retail beer and spirits	2	4	1
Grocers (Scotland) who sell wine, not to be consumed on premises, viz., having Justices' certificate to retail wine, but having no retail beer or spirit licence	10	10	0
Having certificates to retail beer but not spirits	4	8	2½
Ditto to retail spirits only	2	4	1
Ditto to retail beer and spirits	2	4	1
Wine licences (under 23 Vict. c. 27) to be drunk on the premises:			
If rated under 50*l.* per annum	3	3	0
If rated at 50*l.* per annum and upwards	5	5	0
Not to be drunk on premises, if rated under 50*l.* per annum	2	2	0
Ditto, at 50*l.* per annum and upwards	3	3	0

STAMPS.

Appraisers	2	0	0
Attorneys, proctors, and notaries, London, or within 10 miles, Edinburgh and Dublin	9	0	0
Ditto, elsewhere	6	0	0
(Half only for the first three years of being in practice.)			

Description of Trade.	Rate of Licence. £	s.	d.
Bankers	30	0	0
Conveyancers, London and Dublin	9	0	0
Ditto elsewhere	6	0	0
Hawkers and pedlars, on foot, for the year	4	0	0
Ditto with a horse	8	0	0
Ditto, limited licence:			
Ditto, not to sell in house, stall, &c., for half-year	1	0	0
Ditto, ditto for one year	2	0	0
Ditto, with horse under 13 hands, or ass or mule, for half-year	2	0	0
Ditto ditto for one year	4	0	0
Ditto, in Ireland	2	2	0
House agents (from 5th July 1861)	2	0	0
Makers of playing cards or dice	0	5	0
Medicine vendors, London	2	0	0
Ditto any other corporate town	0	10	0
Ditto eleswhere	0	5	0
Pawnbrokers, London	15	0	0
Ditto elsewhere	7	10	0
Plate dealers selling above 2 oz. gold and 30 oz. silver	5	15	0
Ditto under the above weights	2	6	0
Stage and hackney carriage drivers, conductors, and watermen, London	0	5	0
TAXES (ASSESSED).			
Horse dealers within the cities of London and Westminster, the parishes of St. Marylebone and St. Pancras, the weekly bills of Mortality, or the borough of Southwark	27	10	0
Other Horse Dealers	13	15	0

CHAPTER VII.

DUTIES ON THE CONVEYANCE OF LETTERS.

THE conveyance of letters by post is one of the few industrial undertakings which are better managed by government than by individuals. It is necessary to the satisfactory working of the post-office that it should be conducted with the greatest regularity and precision, and that all the departments should be made subservient to each other, and conducted on the same plan. It is plain that such results could not be obtained in any extensive country otherwise than by the agency of

government; and the interference of the latter is also required to make arrangements for the safe and speedy conveyance of letters to and through foreign countries.

The organization of the post-office supplies one of the most striking examples of the advantages resulting from the division and combination of employments. "Nearly the same exertions that are necessary to send a single letter from Falmouth to New York will send 50,000. If every man were to effect the transmission of his own correspondence, the whole life of an eminent merchant might be passed in travelling without his being able to deliver all the letters which the post-office forwards for him in a single evening. The labour of a few individuals, devoted exclusively to the forwarding of letters, produces results which all the exertions of all the inhabitants of Europe could not effect, each person acting independently.*

The institution of posts may be traced to a very remote antiquity. It is, indeed, all but indispensable to the government of an extensive country that it should have means for the safe, regular, and speedy conveyance of public despatches from and to the capital and the different provinces. And it was in this view that posts were established among the principal nations of antiquity, and that they were originally introduced into modern Europe, in 1477, by Louis XI. of France.† In no long time, however, private individuals were allowed to avail themselves of the post to forward letters and despatches; and governments, by imposing higher duties or rates of postage on the letters and parcels conveyed by it than are sufficient to defray the expense of the establishment, have rendered the post-office productive of a considerable revenue. Nor, while the rates of postage are so moderate as

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* Senior on "Political Economy," Encyclopædia Metropolitana.

† See Bergier, "Histoire des Grands Chemins," i. 198.; Bouchaud, "Recherches sur la Police des Romains," &c., p. 136.; "Encyclopédie Française," art. "Postes," &c.

not materially to affect the facility of correspondence, is there, perhaps, a less objectionable tax. "There cannot," says Blackstone, "be devised a more eligible method than this of raising money upon the subject; for therein both the government and the people find a mutual benefit. The government acquires a large revenue, and the people do their business with greater ease, expedition, and cheapness than they would be able to do if no such tax (and of course no such office) existed." *

The post-office was not established in England till the 17th century. Post-masters, indeed, existed in more ancient times; but their business was confined to the furnishing of post-horses to persons who were desirous of travelling expeditiously, and to the despatching of extraordinary packets upon special occasions. In 1635 Charles I. erected a letter-office for England and Scotland; but this extended only to a few of the principal roads; the times of carriage were uncertain; and the post-masters on each road were required to furnish horses for the conveyance of the letters at the rate of 2½*d.* a mile. This establishment did not succeed; and, at the breaking out of the civil war, great difficulty was experienced in the forwarding of letters. At length the post-office, or establishment for the weekly conveyance of letters to all parts of the kingdom, was instituted in 1649, by Edward Prideaux, attorney-general for the Commonwealth; the immediate consequence of which was a saving to the public of 7,000*l.* a year on account of post-masters. In 1657 the post-office was established nearly on its present footing, and the rates of postage that were then fixed were continued till the reign of Queen Anne.†

From the establishment of the post-office by Cromwell, down to 1784, mails were conveyed either on horseback, or

* Black. Com., book i. c. 8.
† Black. Com., book i. c. 8.

in carts made for the purpose; and instead of being the most expeditious and safest conveyance, the post had become, at the latter period, one of the slowest and most easily robbed of any in the country. In 1784 it was usual for the diligences between London and Bath to accomplish the journey in seventeen hours, while the post took forty hours; and on other roads the comparative rate of travelling of the post and stage-coaches was in about the same proportion. This difference in point of despatch made a very great number of letters be sent by other conveyances than the mail; the law to the contrary being easily evaded by giving them the form of small parcels.

Under these circumstances it occurred to Mr. John Palmer, of Bath, afterwards Comptroller of the Post-office, that a great improvement might be made in the conveyance of letters, in respect of economy, speed, and safety, by contracting with the proprietors of stage-coaches for the carriage of the mail; the latter being bound to perform the journey in a specified time, and to take a guard with the mail for its protection. Mr. Palmer's plan, as is usual with all projects of the sort, encountered much opposition; but it was at length carried into effect with the most advantageous results. The use of mail-coaches speedily extended to most parts of the empire. And while letters and parcels were conveyed in less than half the time that had been required under the old system, the coaches by which they were conveyed afforded, by their regularity and speed, a most desirable mode of conveyance for travellers. Mr. Palmer was the author of several other improvements in the economy of the post-office; nor is there any individual to whom this department owes so much.*

The construction of railways between all the considerable towns of the empire has now, however, all but wholly superseded the former methods of conveying letters, and has

* Macpherson's "Annals of Com.," anno 1784

added prodigiously to the facilities of correspondence and travelling. The journey from London to Liverpool, which had been accomplished by the mail in about twenty or twenty-two hours, is now accomplished, by railway, in five or six hours! and on other roads in the same proportion. The principal expense of the post-office consists, however, not so much in the conveyance of letters from place to place (though that amounts to a large sum), as in their collection and subsequent distribution after they have been conveyed to their destination. This necessitates the establishment of a great number of subordinate offices in the remoter parts of the kingdom, many of which do not defray their expenses. This is particularly the case in Ireland, and in the Highlands of Scotland.

Previously to the introduction, in 1839, of a uniform penny rate of postage under the provisions of the act 2 & 3 Vict. cap. 52., the rates of postage increased progressively according to the distance to which letters (not privileged) were conveyed by post from place to place in the United Kingdom. The rates charged in Great Britain (with which the Irish rates were nearly identical) were, for a single letter,—

							d.
From any post-office in Great Britain to any place not exceeding							
8 miles from such office	-	-	-	-	-	-	2
For any distance above 8 miles, and not exceeding 15 miles					-	-	4
15	„	20	„		-	-	5
20	„	30	„		-	-	6
30	„	50	„		-	-	7
50	„	80	„		-	-	8
80	„	120	„		-	-	9
120	„	170	„		-	-	10
170	„	230	„		-	-	11
230	„	300	„		-	-	12

And so in proportion; the postage increasing progressively 1*d.* for a single letter for every 100 miles.

Letters containing one enclosure charged with two single rates. Letters containing more than one enclosure, and not exceeding one ounce, charged with three single rates. Letters exceeding one ounce, whatever the contents might be, were charged with four single rates; and for every quarter of an ounce above that weight an additional single rate was chargeable.

On comparing the number of non-privileged letters conveyed by the general post with the gross amount of postage, it appears that previously to 1839 they paid an average rate of about 7*d.* or 7½*d.* each.

Exclusive, however, of these rates of postage, letters posted in London and other large towns for delivery in such towns, were charged 2*d.* each in London, and 1*d.* each in the other towns in which such local posts were established.

In addition, too, to the letters on which postage was charged, all the principal officers of government, and the members of both houses of parliament, enjoyed (either to a greater or less extent) the privilege of "franking," or of sending and receiving letters by post free of postage. This privilege was very extensively exercised, and, we may add, much abused.

The gross produce, deducting overcharges, of the post-office revenue of Great Britain, exclusive of Ireland, in the under-mentioned years, was—

Years.	Duty.	Years.	Duty.	Years.	Duty.	Years.	Duty.
	£		£		£		£
1722	201,804	1810	1,675,076	1835	2,107,677	1840	1,249,248
1755	210,663	1814	2,005,987	1837	2,103,994	1841	1,369,134
1775	345,321	1820	1,993,885	1838	2,116,798	1842	1,449,162
1793	745,238	1825	2,160,390	1839	2,162,915	1843	1,519,745
1800	1,083,950	1830	2,053,720				

The progress of the Scotch branch of the post-office revenue has been quite extraordinary. In 1698, Sir Robert Sinclair of Stevenson had a grant from William III. of its entire produce, with an extra allowance of 300*l.* a year, on condition of his keeping up the post; but, after trial, he abandoned the undertaking as disadvantageous. In 1709, the Scotch post-office revenue was under 2,000*l.*; whereas its amount in 1838 was 223,491*l.* gross, and 211,543*l.* nett; having increased more than a hundredfold in little more than a century! While in 1781, the Glasgow post-office produced only

6,341*l.* 4*s.* 9*d.*, it produced 47,527*l.* in 1839, and 70,476*l.* in 1861.*

The expenses of collecting the post-office revenue amounted, under the old system, to from 24 to 30 per cent. of the gross receipt.

The increase of the post-office revenue, as evinced by the above statements, had been very remarkable. It was mostly, no doubt, to be ascribed to the increase of population, the diffusion of education, and the growing intercourse among all classes of the community; though a good deal must also be ascribed to the efforts made in the early part of the reign of George III. to suppress some of the grosser abuses that had grown out of the privilege of franking, and still more to the additions that were repeatedly made to the rates of postage. Unfortunately, however, the latter were, in the end, carried far beyond their proper limits, imposing a heavy burden on the public, without any corresponding advantage to the revenue. This is evinced by the fact of the post-office revenue having continued stationary for the twenty years ending with 1839; though, from the great increase of population and commerce during that period, there can be no doubt, had the rates of postage not been so high as to tempt recourse to other channels, that the revenue would have rapidly increased from the termination of the war downwards. When the rates of postage are moderate, the greater despatch and security of their conveyance by post, prevent any considerable number of letters being sent through other channels. But when the rates become oppressive; when, for example, a postage (as under the late system) of 11*d.* is charged on the conveyance of a single letter between London and York, of 13*d.* between London and Edinburgh, and so on, a serious interruption is given to that facility of intercourse which is so important, at the same time that a very large proportion of the corre-

* Stark's Picture of Edinburgh, p. 144; Cleland's Statistics of Glasgow; Finance Book for 1838 and 1839, &c.

spondence which is carried on is unavoidably forced into clandestine channels. It was, no doubt, attempted to prevent the transfer of letters from the post, by forbidding, under heavy penalties, their conveyance by private parties. But this prohibition could not be enforced, and had little effect. Considering, indeed, the facilities which have long existed for the transmission of letters in parcels between different parts of the country, and the oppressive rates of postage, the wonder is, not that the post-office revenue was nearly stationary previously to 1839, but that it did not fall off. Although, however, the rates of postage then existing, amounting, as already stated to an average charge of about 7*d.* or 7½*d.* on all single letters conveyed by the general post, were very decidedly too high, it did not follow that an invariable charge of 1*d.*, whether a letter was conveyed 1 mile or 1,000 miles, or singly or with 10,000 others, was the precise charge that should have been imposed! But, notwithstanding this was rushing blindfold from one extreme to another, and endangering a large amount of revenue without any equivalent advantage, the project brought forward by Mr. (now Sir) Rowland Hill, for an uniform penny postage, to be paid in advance, was eagerly adopted. It must be admitted, too, that it had various recommendations in its favour. Being calculated to obviate trouble and save expense to the public, it could not fail to be generally acceptable (what reduction of taxation is not?), especially to middlemen and others having an extensive correspondence. No doubt, however, the scheme was more indebted for its popularity to the oppressiveness of the old rates of postage, than to any intrinsic merits of its own. Had these rates been properly reduced in 1837 or 1838, that is, had the postage of letters of ½ oz. weight passing between Scotland and Ireland and London been reduced to 3*d.* or 4*d.*, and other letters in proportion, and mercantile circulars, advertisements, and notices of sales, &c., been allowed to pass under covers open at the ends at 1*d.* or 2*d.* each, we venture to say that the clamour for an uniform

penny postage would never have made any way. But government, though hostile to the project, took no step calculated to stop the agitation in its favour. They neither reduced the old rates of postage, nor attempted to give any increased facilities for the conveyance of letters by post. And it happened in this, as it all but invariably happens on similar occasions, that those who decline making reasonable and necessary concessions at the outset, are, in the end, compelled to concede a great deal more than would at first have been satisfactory. Such, at all events, was the case in this instance. The clamour for a uniform penny rate became too powerful to be resisted; and parliament, whether it were so inclined or not, was obliged to give its sanction to the measure. The act 2 & 3 Victoria, cap. 52., for regulating the duty on postage, did not indeed enact that the charge for conveying letters of a given weight should, in all cases, be reduced to 1*d.*; but it was introduced to enable the Treasury to take the necessary steps to bring the change about with the least inconvenience to all parties. In this view it gave the Treasury power to alter and reduce the rates of postage, without reference to the distance which letters may be conveyed, according to the weight of the letters, and not to the number or description of their enclosures. It also gave them power to adopt such regulations as they might think expedient in regard to stamped covers or envelopes; to suspend parliamentary franking, &c.

In virtue of the powers so conveyed, regulations were issued (rendered permanent by the act 3 & 4 Vict. c. 96.) by which all inland letters, without regard to the number of enclosures or the distance conveyed, provided they be paid when posted or despatched, are —

If not exceeding ½ oz. weight, charged 1*d.*; 1 oz. 2*d.*; 2 oz. 4*d.*; 3 oz. 6*d.*; and so on, 2*d.* being added for every additional ounce up to 16 oz., beyond which, with the following exceptions, no packet, whether subject to postage or not, is received:—

1. Parliamentary petitions and addresses to Her Majesty.
2. Parliamentary proceedings.

3. Letters and packets addressed to or received from places beyond sea.
4. Letters and packets to and from public departments.
5. Deeds, if sent open, or in covers open at the sides. They may be tied with string and sealed, in order to prevent inspection of the contents, but they must be open at the sides, that it may be seen that they are entitled to the privilege.
6. Bankers' parcels, despatched from London, and specially delivered at the General Post-Office, under certain regulations.

With these exceptions, all packets above the weight of 16 oz. will be immediately forwarded to the Dead Letter Office.

All parliamentary and official franking has been put an end to; but members of either house of parliament are entitled to receive petitions and addresses to Her Majesty, and petitions to parliament, free of charge, provided such petitions and addresses be sent in covers open at the ends, and do not exceed 32 oz. weight.

The punctual delivery of letters may be insured by getting them *registered* when posted. A fee of 1*s.* (now 4*d.*) is charged for the registration of each letter over and above the rate of postage to which it may be liable.

To facilitate the working of the plan, government furnish adhesive stamps of 1*d.*, &c. each, which being pasted on letters, they are of course delivered to those to whom they are addressed free of any further charge for postage; and it also furnishes stamped envelopes at the low rate of 24 for 2*s.* 3*d.*, the 3*d.* being for the paper and manufacture. Hence, as any quantity of stamps or of stamped envelopes may, in most parts of the country, be procured beforehand, the necessity that must otherwise have existed of paying the postage at the moment when letters are posted, has been obviated.*

Such are the more prominent features of the new system; and no doubt it has the recommendations of simplicity (if we may apply such a phrase to an uniform charge for services costing widely different sums) and cheapness in its favour, and has greatly facilitated correspondence. But it is, notwithstanding, more than questionable whether its adoption was a prudent step. It is, no doubt, very satisfactory for merchants,

* By a late regulation prepayment in money has been put an end to; and all letters sent by post must now bear the necessary stamp.

bankers, middlemen, retail dealers, and indeed for all persons, to get letters for 1*d.* that previously cost them 7*d.* or 7½*d.*; but their satisfaction is not the only thing to be attended to in forming a fair estimate of the measure. The public exigencies require that a sum of seventy millions a year should be raised, one way or other. And so long as we are pressed by an unreasoning necessity of this sort, it is not much to say in favour of the repeal or diminution of any tax, that those on whom it fell with the greatest severity are well pleased with its abolition or reduction. Sugar has, in England become a necessary of life; and its consumption is, to say the least, as indispensable to the bulk of the people, and especially to the labouring classes, as the writing of letters. But would it, therefore, be a wise measure to repeal the duty on sugar, or to reduce it to 1*s.* a cwt.? It has been alleged, indeed, that taxes on the transmission of letters are objectionable on principle, and should be repealed, independently altogether of financial considerations. But it is easier to make an allegation of this sort than to prove it. All taxes, however imposed, if they be carried (as was the case with the old rates of postage) beyond their proper limits, are objectionable. But provided these be not exceeded, we have yet to learn why a tax on a letter should be deemed more objectionable than a tax on the tea, the coffee, or the income of the writer, or on fifty other things. It is farther to be remembered, in estimating the merits of this measure, that the loss of revenue which it occasioned, was a principal cause of that deficit which soon after led to the imposition of the income tax.

It was contended, when the plan was under discussion, that there would be no loss of revenue, and that the increase of correspondence growing out of the reduction of the postage would be so vast as fully to balance the reduced rates of charge. But though there has been a very great increase in the number of posted letters, principally occasioned by their being withdrawn from the private channels in which they were previously conveyed, it has fallen far short of this. Notwith-

standing all that has been said about the *cacoethes scribendi*, letter-writing is generally looked upon as a duty rather than a pleasure. And it does not follow, when the expense of postage is reduced, that the occasions for writing letters are proportionally increased.

In estimating the present revenue of the post-office, it is to be borne in mind that a considerable portion thereof is derived from its now serving as an establishment for the conveyance of books and parcels, as well as letters, and from the establishment of the system of money orders, the commission on the latter, yielding a considerable sum. But these sources of emolument have no necessary connection with the conveyance of letters, and the profit made by them should be deducted from the present post-office revenue to arrive at the sum to be compared with its former revenue. We subjoin an account of the gross revenue, cost of management, and nett revenue of the post-office of the United Kingdom since 1837 :—

Year.	Gross Revenue.	Cost of Management.	Nett Revenue.	Postage charged on Government Departments.	Nett Revenue, deducting Postage.
	£	£	£	£	£
1838 - -	2,346,278	686,768	1,659,510	45,156	1,614,354
1839 - -	2,390,763	756,999	1,633,764	44,277	1,589,487
1840 - -	1,359,466	858,677	500,789	90,761	410,028
Average of five years 1841-5	1,658,214	1,001,405	656,809	112,468	544,341
„ 1846-50	2,143,717	1,304,772	838,944	110,798	728,146
„ 1851-55	2,569,836	1,441,334	1,128,502	157,003	971,499
„ 1856-60	3,135,587	1,800,451	1,335,136	145,566	1,189,570
1861 - -	3,528,427	2,003,116	1,525,311	179,012	1,346,299

N.B.—This table is copied, except the last column, from that given in the Report (p. 31) of the Postmaster-General for 1862. It is obviously necessary to deduct the postage paid by the different departments of government to arrive at the real amount of the nett revenue of the post-office.

It would appear from the above account that the nett post-office revenue amounted in 1838, before the new system began, to 1,614,354*l.*, whereas in 1861, 22 years after the new system

had been in full force, it amounted to only 1,346,299*l.*, being a nett diminution of 268,055*l.* But the diminution is in truth much greater; for the statement given above of last year's expense neither includes the cost of the packet service, nor of stationery, the former amounting to nearly 1,000,000*l.*, and the latter to about 28,000*l.* a year. And if these two sums be added to the charge for 1861, it will follow that the nett revenue of the post-office in that year did not really amount to 320,000*l.* And it is further to be borne in mind that 127,866*l.* of this revenue was derived from commissions on money orders, which were not heard of in 1838, and that a farther and considerable portion was derived from the book and parcel post.

But it would not be fair to debit the post-office with the whole charges on account of the packet service; for it would be necessary to keep it up, though on a smaller scale, for other purposes than the conveyance of private letters. It is difficult to say how the aggregate expense of this service should be divided between the public and the post-office. The Postmaster-General charges the latter with half its total amount, and this is, perhaps, a sufficiently fair distribution. And on this hypothesis the nett revenue of the post-office may be taken in 1861 at about 820,000*l.*, including commissions on money orders, book post, &c., being about half what it amounted to in 1838.

Hence it is obvious that, financially speaking, the new system has been an entire failure. There can, indeed, be no question as to the defects of the old system, and the many advantages of which the present system is productive. But the former might have been obviated, and the latter realised without any, or with but a very inconsiderable loss of revenue. Had franking been abolished, and the old rates of postage so reduced that the average charge might have been about 2½*d.* or 3*d.* a letter, the revenue would not probably have lost anything, while every really advantageous object effected by the present system would have been secured. There is

not, in truth, a single good reason why the existing rates of postage should be maintained. And were a penny added to them, that is, were letters weighing ½ oz. charged 2*d.*, those weighing 1 oz. 3*d.*, and so on, the presumption is that the nett revenue of the post-office would be more than doubled, with little or no inconvenience to the public. It may, indeed, be doubted whether there be any other means by which the revenue may be so easily and advantageously increased.

The increase now suggested would not be so great as may at first be supposed. For in addition to the existing rates of postage, all letters which contain anything valuable are requested to be registered at a cost of 4*d.* each, and this, also, is often done with those letters that are particularly cared for. But this appears to be a singularly objectionable system. The postage should be such as to enable the post-office to give the maximum degree of security to all letters. The plan of registration can hardly fail, if persevered in, to make it be believed by the servants of the post-office that registered letters are alone entitled to any considerable degree of attention, and that the others may be treated with comparative neglect. For, if such be not the case, why register some letters, and not others? It is needless, however, to add that the prevalence of such an opinion would be most injurious to the public interests. It is not possible to judge *à priori* of the importance of most letters. Those without may often be of more value than those with enclosures; and provision should be made to ensure the safe delivery of all letters put into the post-office, independent of the estimates of their value formed by the writers, or by those to whose care they may be committed.

Sir S. Morton Peto has endeavoured to show, in a valuable chapter in his late work on taxation and expenditure, that the unfavourable state of the post-office revenue is mainly a consequence of the increased cost of the establishment occasioned by its engaging in undertakings foreign to its

object. But though it would appear that it had better have abstained from all interference with the conveyance of books and parcels, and with some other matters, this intermeddling will not sufficiently account for the depressed state of its revenue. The truth is that much of the work carried on upon account of the post-office does not defray its expenses. And yet it would not seem to be difficult so to adjust the rates of postage, that without sensibly curtailing any of its advantages it might be made to afford a greater amount of revenue as well as of security.

The increase of the post-office revenue, while the present system is maintained, redounds in no degree to its credit; it being a necessary result of the increasing population, wealth, and commerce of the country. The revenue would increase quite as fast under any reasonably well contrived system. All taxes on articles in general use are sure, provided they be not excessive, to increase with every increase of population and wealth.

The abolition of franking (which, however, was in nowise connected with a penny rate of postage), was by far the least exceptionable of the alterations now referred to. Franked letters were in most instances addressed to those who could best afford to pay the expense of postage; and who in this way escaped a burden which fell with its full weight on their less opulent and less known neighbours.*

CHAPTER VIII.

LOTTERIES.

MOST modern governments have endeavoured to raise a revenue by licensing lotteries; and they were authorized in

* See for further details the article Postage and Post-Office, in "Commercial Dictionary."

this country from the Revolution down to 1823. The overweening confidence placed by every individual in his own good fortune has insured their success, notwithstanding the loss they are certain to occasion to the great majority of those who are adventurous enough to embark in them. "The world," says Adam Smith, "never saw, and never will see, a perfectly fair lottery, or one in which the whole gain compensated the whole loss. In the state lotteries the tickets are really not worth the price which is paid by the original subscribers, and yet they are commonly sold in the market for 20, 30, and sometimes 40 per cent. advance. The vain hope of gaining some of the great prizes is the sole cause of this demand. The soberest people scarcely look upon it as a folly to pay a small sum for the chance of gaining ten or twenty thousand pounds, though they know that even that small sum is, perhaps, 20 or 30 per cent. more than the chance is worth. In a lottery in which no prize exceeded twenty pounds, though in other respects it approached much nearer to a perfectly fair one than the common state lotteries, there would not be the same demand for tickets. In order to have a better chance for some of the great prizes, some people purchase several tickets, and others small shares in a still greater number. There is not, however, a more certain proposition in mathematics than that, the more tickets you adventure upon, the more likely you are to be a loser. Adventure upon all the tickets in the lottery, and you lose for certain; and the greater the number of your tickets, the nearer you approach to this certainty."*

The loss of money by those who embark in the lottery is, however, an inferior consideration. The real evil of the system consists in its tendency to diffuse a gambling spirit; and to make persons attempt to enrich themselves by adventuring in lotteries rather than by industry and economy. It

* "Wealth of Nations," p. 48.

is obvious that an institution productive of such effects is directly opposed to the growth of some of the most valuable qualities a people can possess. During the continuance of the lottery system, the gaining of a prize by an individual belonging to a country village was one of the most serious evils that could befall it, inasmuch as it invariably gave a shock to industry, and spread a taste for gambling among the inhabitants. A curious instance of this was mentioned in a debate in the House of Commons on the lottery in 1819. A village in which a benefit club, for the support of aged and infirm persons, had been established, had the misfortune to have a lottery adventurer in it, who gained a prize of 3,000*l*. In consequence of this unlucky circumstance the benefit-club was immediately suppressed, and a lottery-club established in its stead. And not satisfied with this, many persons carried almost all their furniture, and some even their bedclothes, to the pawnbroker's, to get a little money to throw away on lottery-tickets.

In 1808 the lottery system was carefully inquired into, and its numerous abuses set in a striking point of view by a Committee of the House of Commons, who concluded their Report as follows, viz., "That the pecuniary advantage derived from a state lottery is much greater in appearance than in reality. When we take into consideration the increase of poor-rates arising from the number of families driven by speculations in the lottery, whether fortunate or otherwise, to seek parochial relief; the diminished consumption of exciseable articles during the drawings, and other circumstances; they may well be considered to operate as a large deduction from the gross sums paid into the Exchequer by the contractors. On the other hand, the sum raised upon the people is much greater in proportion to the amount received by the state, than in any other branch of revenue.

"No mode of raising money appears to your Committee so burdensome, so pernicious, and so unproductive; no species of adventure is known where the chances are so great against

the adventurer ; none where the infatuation is more powerful lasting, and destructive.

" In the lower classes of society the persons engaged, whether successful or unfortunate, are generally speaking, either immediately or ultimately tempted to their ruin ; and there is scarcely any condition of life so destitute and abandoned, that its distresses have not been aggravated by this allurement to gaming, held forth by the state."

The lottery never produced any considerable amount of revenue ; and it is really astonishing that a system productive of such mischievous results should have been so long and so generally tolerated. It is to be hoped that it may never again make a figure in the budget of this country.

In England all private gaming-houses have been prohibited for a lengthened period. In other countries, however, they are sometimes licensed by government, and yield a considerable revenue. The question, which of these is the preferable mode of dealing with gaming-houses, is one of no little delicacy. It is objected to their being licensed, that it has a tendency to disseminate a spirit of gambling among the middle and lower ranks ; and it is, on the other hand, contended that, though suppressed in law, they exist in fact, and that their proscription, by putting them under the control of desperate and profligate characters, and securing them from the inspection of the police and the public, renders them infinitely more noxious than they would be were they legalised. It must be owned that this is a case of considerable difficulty. But, on the whole, we are inclined to think that, though our system may be more injurious to those who resort to gaming-houses, it is preferable to the other, from the stigma which it attaches to gambling, and its tendency to prevent its making much progress among the mass of the people. This opinion would also seem to be gaining ground on the Continent. Previously to 1837 the French government realised a considerable revenue by licensing gaming-houses ; the licences were then, however, withdrawn,

and the gaming-houses of Paris, like those of London, may now, on being discovered by the police, be suppressed as a nuisance.* Measures for their suppression have also been taken in some of the smaller German states.

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* We borrow the following account of the gains of the legalised gaming-houses in Paris, previously to their suppression, from the *Siècle* :—

"The original lease was from 1819 to 1836, but was continued for one year more. On the 31st December 1837, when the licence was at an end, there were seven houses open in Paris, containing together seventeen tables; nine of which were for roulette, six for trente-un, and two for creps. A separate account of the gains and losses of each table was settled every month, making 204 settlements in each year. Of these 204 settlements for 1837, only seventeen showed losses. The following are the results :—

HOUSES.	TABLES.	PRODUCE. fr.	c.
No. 129. Palais Royal	1 Roulette 2 Trente-un	1,734,618	81
No. 113. Palais Royal	2 Roulettes	329,963	58
No. 36. Palais Royal	2 Roulettes 1 Trente-un	2,254,405	45
No. 154. Palais Royal	1 Trente-un for gold 1 Trente-un for silver 1 Roulette	1,677,661	20
Rue Marivaux	1 Roulette 1 Trente-un 1 Creps	398,118 622,218	16 61
Frascati	1 Trente-un 1 Roulette 1 Creps	2,271,595	80
		9,288,581	51
Deduct for losses of the seventeen monthly settlements		809,486	40
	Balance of gain	8,479,095	11

This gain divided into the several quarters of the year shows the following results :—

	fr.	c.
First quarter	2,621,911	75
Second quarter	1,870,419	61
Third quarter	1,715,465	16
Fourth quarter	2,271,598	59
	8,479,095	11

The table which produced the greatest monthly gain in the year was one for trente-un, which in February yielded a profit of 162,837 fr. 79 c. This was

CHAPTER IX.

CIRCUMSTANCES WHICH DETERMINE THE EXTENT TO WHICH TAXES SHOULD BE LAID ON COMMODITIES — CAUSES OF SMUGGLING — MEANS BY WHICH IT MAY BE PREVENTED.

THE capacity of a tax on a commodity to raise a revenue depends, *first*, on the nature and extent of the demand for the commodity; and, *second*, on the facility with which it may be prevented from being smuggled. Every tax that raises the price of the commodity on which it is laid, tends to bring it within the command of a smaller number of purchasers, and to lessen its consumption. Dr. Swift has shrewdly remarked that, in the arithmetic of the customs, two and two do not always make four, but sometimes only one. An individual who might be able and disposed to pay a duty of 1*s.* a bottle on wine might neither have the means nor the inclination to pay 2*s.* or 3*s.*; and, instead of being augmented, the revenue

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during the carnival, when, from the excitement of the season, the extent of play is always the greatest. None of the tables in the Palais Royal showed a loss in any one month except that for trente-un, at which only gold was staked. Consequently, the system of gambling is the more mischievous and fatal the lower the stakes allowed to be played for. The table at which only gold was taken made a return of loss for five months out of the twelve. The trente-un table of the Cercle made six returns of loss out of the twelve.

BALANCE SHEET OF THE ACCOUNT FOR 1837.

		fr.	c.
Amount of gains - - - -		8,479,095	11
Deductions.			
Licence-rent - - -	6,055,100		
Expenses of management -	350,000	7,430,100	0
Interest of caution-money -	25,000		
Nett profit - - -		1,048,995	11

Of this profit, the city of Paris received 786,746 fr. 33 c., and the farmer of the games 262,248 fr. 78 c. The city also received out of the licence-rent 555,100 fr., which, added to its portion of the gains, made an income from this lamentable source of no less than 1,341,846 fr. 33 c."

might be diminished by such increase of duty. And hence, whenever the duties on commodities are raised beyond certain limits, which, however, it is impossible to define, inasmuch as they necessarily vary according to the nature of the commodities, and the varying tastes and circumstances of society — their effect is to depress consumption to such an extent as to render them less productive than if they were lower.

Variations in the amount of the duties on commodities have the same effect on their price, and consequently on their consumption, as corresponding variations in the cost of their production. It is evident, however, that a fall, though it be considerable, in the price of articles which, being naturally high-priced, are principally used by the rich, will have a much less powerful influence in increasing consumption than a corresponding fall in the price of cheaply-produced articles in general demand. A fall of 50 per cent. in the price of coaches would not add greatly to their sale; for, notwithstanding this reduction, they would still be luxuries which none but the rich could afford to use; whereas a fall of 50 per cent. in the price of gin, beer, tea, sugar, or any article in general request, would extend its sale in an extraordinary ratio. The reason is, that the middle and lower classes, especially the latter, form by far the most numerous portion of society; and as these articles are at present generally used by them, a fall of 50 per cent. in their price would bring them fully within their command, and add greatly to their consumption. The truth of this observation is strikingly exemplified in the case of cotton goods. At the accession of George III., in 1760, their price, owing to the difficulty of their production, was extremely high, and the value of those annually brought to market did not exceed 200,000*l.* But thanks to the genius and inventions of Hargreaves, Watt, Arkwright, Crompton, and others, the price of cottons has been so reduced that they have been brought within reach of the poorest individuals. And such has been the consequent increase of demand, that, despite the extraordinary fall in their price, the value of the cottons

manufactured in Great Britain, and either disposed of at home or sent abroad, amounted, previously to the late revulsion, according to the best estimates, to the immense sum of FIFTY-FOUR MILLIONS a year! No doubt, however, had cottons been loaded with high duties, and that reduction in their price which has been brought about by the improvement of machinery been brought about by a reduction of such duties, the effect would have been the same. The demand would have equally increased; and the greater consumption of low-taxed articles would have rendered the reduced duties more productive than the higher. Similar effects have uniformly followed from similar causes. Moderate duties on commodities in general demand being invariably found to be more productive than when they are carried to a great height, and more productive than high duties on commodities used only by the rich.

Besides diminishing the revenue by diminishing consumption, too high duties diminish it by originating and encouraging the practice of smuggling. The risk of being detected in smuggling transactions, under any system of fiscal regulations, may always be valued at a certain rate; and whenever the duties exceed that rate, smuggling is practised. Thus, if the duty on an article imported from abroad be 10, and the risk of smuggling 10 or 12 per cent., it is clear that none will be clandestinely imported. But if, while the risk continues the same, the duty be raised to 15 or 20 per cent., smuggling will immediately begin, and will very probably be carried to such an extent as to make the high duty less productive than the lower. Now there are, it is plain, only two ways of checking this practice; either the temptation to smuggle must be diminished by lowering the duties,* or the difficulties in the

* "Le vrai remède à la fraude est de ne donner aucun intérêt de frauder."—*Turgot Œuvres*, iv. 227.

way of smuggling, or its risk, must be increased. The first is obviously the most natural and effectual mode of accomplishing the object in view; but the second has been most generally resorted to, even in cases when the duties were quite excessive. Governments have usually consulted the officers employed in the collection of the revenue respecting the best modes of rendering taxes effectual; though their interests, prejudices, and peculiar habits obviously tend to disqualify them from forming a sound opinion on such a subject. With few exceptions they seem to have thought that to recommend a reduction of duties as a means of repressing smuggling and increasing revenue, was to acknowledge their own incapacity to detect and defeat illicit practices. And, instead of ascribing the prevalence of smuggling to its true causes, they generally ascribe it to some defect in the laws, or in the mode of their administration, and propose to repress it by new regulations, and by increasing the number and severity of the penalties affecting the smuggler. As was to be expected, these attempts have proved, in the great majority of cases, signally unsuccessful. No doubt it is highly proper that every practicable effort should be made, by improving the efficacy of the revenue laws and the mode of carrying them into effect, to obstruct smuggling, and to ensure the collection of the duties. But it has invariably been found that no vigilance on the part of the officers, and no severity o punishment, can prevent the illicit supply of such commodities as are either prohibited or loaded with oppressive duties. Assuredly we have no wish to defend the practice of smuggling or to apologise for the crimes and outrages to which it inevitably leads. But how much soever it may be condemned, it is still true that it owes its origin to oppressive taxes and vicious regulations, and that it will flourish wherever these are maintained.

"To pretend," says Adam Smith, "to have any scruple about buying smuggled goods, though a manifest encouragement to the violation of the revenue laws, and to the perjury which almost always attends it, would, in most

countries be regarded as one of those pedantic pieces of hypocrisy which, instead of gaining credit with anybody, serve only to expose the person who affects to practise them to the suspicion of being a greater knave than most of his neighbours. By this indulgence of the public, the smuggler is often encouraged to continue a trade which he is thus taught to consider as in some measure innocent; and when the severity of the revenue laws is ready to fall upon him, he is frequently disposed to defend with violence what he has been accustomed to regard as his just property; and, from being at first, perhaps, rather imprudent than criminal, he at last too often becomes one of the hardiest and most determined violators of the laws of society." *

Those who supply cheap tea, tobacco, spirits, &c., though at the expense of the revenue, will never be looked upon as guilty of any very heinous offence. Most people are disposed to conclude that those who dig the pitfalls and not those who stumble into them, that the makers and not the breakers of bad laws, are really responsible for whatever mischiefs they may occasion. To create, by means of exorbitant duties, an overwhelming temptation to commit crime, and then to punish men for committing it, is obviously subversive of every principle of justice. It revolts the feelings of the people, and makes them take an interest in the worst characters — for such smugglers generally are, — espouse their cause, and avenge their wrongs. A punishment which is not proportioned to the offence, and which does not carry the sanction of public opinion along with it, can have no good effect. The true way to suppress smuggling is to render it unprofitable — to diminish the temptation to engage in it. And this is not to be done by embodying armies of revenue officers, multiplying oaths and penalties, and making our coasts

* P. 407. See also Montesquieu, "Esprit des Loix," liv. xiii. cap. 8.

the scene of bloody contests, and our courts of perjury and chicanery, but simply by repealing prohibitions and reducing the duties on smuggled commodities to a reasonable amount. We must seek in this, and in this only, for an effectual check to smuggling. Improved, and sometimes even more stringent, regulations may be required. These, however, are rarely sufficient. Whenever the profits of the fair trader become nearly equal to those of the smuggler, the latter is forced to abandon his hazardous profession. So long, however, as prohibitions and too high duties are kept up, or, which is really the same thing, so long as a high bounty is held out to encourage the adventurous, the needy, and the profligate to enter on this career, legions of excise and customs officers, backed by the utmost severity of the revenue laws, will be insufficient to hinder them.

Excessive duties defeat their object, not only by tempting the producers and dealers to evade them, but by enabling them to offer such high bribes to the inferior officers as it is very difficult for persons in their situation to resist, and against which no system of checks can ever effectually guard. In the plan hitherto pursued it is common to encourage the officers to suppress smuggling by giving them extra rewards for detecting frauds and making seizures. These are supposed to be the best means of securing their integrity and stimulating their activity. But it is obvious that, when part of the emoluments of the inferior officers is derived from fines and seizures, it is for their interest that there should be frauds to discover, and seizures to make. And though the system may increase their vigilance in watching the proceedings of the smugglers, it will not stimulate them to attack the sources of smuggling. It is not by rat-catchers that the breed of rats is destined to be exterminated.

The oaths that have been so generally imposed on traders and revenue officers are miserably inefficient for securing the fair collection of high duties. When the oath of a trader or manufacturer is taken, government must either

trust entirely to it, or they must accompany it with a system of checks to detect those who might be tempted to make a false oath. Now, in the *first* place, it is clear that, if the oath be alone trusted to, it gives those who swear falsely a very great advantage over those who do not, and thus really operates as an incentive to, and premium on, perjury; and if, in the *second* place, the oath is accompanied with checks, these either are, or are not, perfect; if perfect, they render the oath unnecessary, and if imperfect, they afford no security against false swearing and the corruption of the officers. Should a trader or manufacturer be in danger of being found to have made a false oath to avoid a tax, it becomes absolutely necessary for him, if he have any regard for character, to endeavour to bribe the officer to connive at the fraud he has committed. The disgrace attached to the taking of a false oath, or emitting a false declaration, being infinitely greater than that which is attached to mere smuggling, the temptations that will be held out to the officer to make him conceal or overlook the crime will be proportionally great. And thus it is that the intermixture of oaths (or declarations) and checks opens a new source of corruption that is different from, and more powerful than, the desire to evade duties, and which seldom fails to paralyse the best contrived system of regulations.*

Too high duties on any description of commodities occasion smuggling; but it is chiefly caused by their being laid on commodities in general demand the natural or necessary price of which is not very considerable. It is commonly said, when a proposal is made for laying a heavy duty on a low-priced article, that its lowness of price fits it to bear the duty, and that, notwithstanding its imposition, it will continue to be sold at a sufficiently moderate rate. But the encouragement to smuggling given by the duty depends

* Hamilton's "Principles of Taxation," p. 22.

more on the proportion which it bears to the price of the commodity than on the circumstance of its being absolutely high or low. To illustrate this, let us suppose that soap is taxed, and that it costs, exclusive of duty, 10*d.* a pound. If a duty of 1*d.* a pound were laid on it, the inducement to smuggle would be equal to 10 per cent. of the value of the article; and if the duty were 2*d.* the inducement would be 20 per cent., and so on. Now let it be supposed that the cost of producing soap, or its natural price, falls to 5*d.*: a duty of 1*d.* a pound would then make an inducement to smuggle of 20 per cent. of its value, and a duty of 2*d.* would be an inducement of no less than 40 per cent. And hence it is obvious that, to prevent smuggling, a system should be adopted, precisely the reverse of that which is generally followed in the imposition of taxes. Instead of making duties vary inversely as the price of commodities, that is, instead of raising them when their cost is diminished, and reducing them when it is increased, they should be made to vary directly as this cost, rising when it rises, and falling when it falls. Disproportionally heavy taxes are the great cause of smuggling. And by preventing its being corrected by its natural and proper penalty, the confiscation of the smuggled articles, they force recourse to be had to extraordinary pains and inflictions, till all proportion of punishment being done away, "*des gens qu'on ne saurait regarder comme des hommes méchants, sont punis comme des scélérats; ce qui est la chose du monde la plus contraire à l'esprit du gouvernement modéré.*" *

When, however, a commodity in extensive demand happens, from the greatness of its bulk, as compared with its value, its susceptibility of being impressed with a stamp, or any other cause, not to be easily smuggled, such commodity (provided it be in other respects advisable) may be charged with a comparatively high duty. But, as a general rule,

* "Esprit des Loix," liv. xiii. cap. 8.

and in the absence of the peculiarities now referred to, it cannot be doubted that, to prevent fraud, duties should be proportioned to the cost of the articles on which they are laid.

It would be useless to enter in this place into any lengthened details to prove the truth of what has been said above in respect to smuggling. Unluckily the entire financial and commercial history of the country abounds with instances in point, many of which must be familiar to every reader. Neither the imposition of heavy duties on foreign or native products, nor their prohibition, takes away the taste for them. On the contrary, it would seem as if the desire to obtain prohibited or over-taxed articles acquired new strength from the obstacles opposed to its gratification.

"Per damna, per cædes, ab ipso
Ducit opes animumque ferro."

The prohibition of foregn silks which existed previously to 1826 did not hinder their importation in immense quantities. The vigilance and integrity of the customs officers were no match for the ingenuity, daring, and *douceurs* of the smugglers. And at the very moment when the most strenuous efforts were made to effect their exclusion, the silks of France and Hindostan were openly displayed in Almack's, in the drawing-rooms of St. James's, and in the House of Commons, in mockery of the impotent legislation by which it was attempted to shut them out. There is, in truth, great room for doubting whether the substitution of an *ad valorem* duty, for the old system of prohibition, was at first productive of anv material increase in the imports of foreign silks. The repeal of the prohibition was a most judicious measure, but the duty being unfortunately fixed at too high a limit, it gave an overwhelming stimulus to smuggling. The expense of the clandestine importation of silks from France has been roughly estimated at about 15 per cent. *ad valorem*; and as the duty on silks, down to 1845, was double that amount, or 30 per

cent., we need not wonder that it was estimated, by well informed parties, that from a third to a half of the total quantity of imported silks escaped the duty. Indeed every one is aware that their clandestine importation was carried on to a great extent, within the port of London, and in the custom-house itself, by the corruption and connivance of the officers! And this, we may be assured, is not a solitary instance. The corruption of the officers is an inevitable consequence of the over-tax system.

The too high duties that were imposed previously to 1823 on home-made Scotch and Irish spirits produced, as will be afterwards seen, an extent of smuggling and demoralization of which it is not easy for those who have not attended to such matters to form an idea. At present, however, the duties on tobacco and tea, especially the first, are the grand incentives to smuggling. The preventive water-guard, the expense of which may be about 450,000*l.* a year,* is kept up for little other purpose than to hinder the clandestine importation of these articles. But, notwithstanding its efforts, considerable quantities of them find their way into the country without being subjected to any duty. And how should it be otherwise? The price of unmanufactured tobacco in the contiguous continental ports may, at an average, be taken at from 8*d.* to 10*d.* per lb., and as the duty on tobacco is 3*s.* 2*d.* per lb., need we be surprised to learn that, allowing for the expenses of smuggling, if one cargo out of three be safely landed, the business is as profitable as it is adventurous and exciting? But it is not so much by the introduction of tobacco from abroad, as by its admixture or adulteration with other articles, that the contraband dealers endeavour to defeat the duty; and this is a proceeding which it is much more difficult to prevent than clandestine importation.

* For the prevention of smuggling; the guard now costs a good deal more, but a considerable portion of the present expense is incurred for naval purposes.

In 1845 the duty on brandy and geneva, which amounted to 22*s.* 6*d.* per gallon, was reduced by Sir Robert Peel to 15*s.* Previously to this reduction the smuggling of these articles had been very extensively carried on; and though greatly checked by the lowering of the duty, it is probable that it would have been almost entirely suppressed, without injury to the revenue, had the duty been reduced to 12*s.* It should always be borne in mind, in reducing duties, whether for the prevention of smuggling or the increase of consumption, that the reduction must be effectual to its end; that is, in the former case, it must be such as to bring the duty below, or nearly to the level of, the cost of smuggling, and in the latter it must be such as to bring the article within the command of a larger class of consumers.

These considerations show the degree of weight which should be attached to the statements of those who endeavour to excuse or apologise for exorbitant duties, by showing that they have sometimes been reduced without any material increase taking place in the consumption of the articles on which they are laid, or any material diminution of smuggling. In exemplification of this, it has been stated that though the duty on tobacco was reduced in 1825 from 4*s.* to 3*s.* per lb., the consumption was not increased in anything like the same proportion; and that, nothwithstanding the rapid growth of population, a period of ten years elapsed before the tobacco revenue rose to its former level. But no one acquainted with the facts could have anticipated any other result. Taking the cost of tobacco at an average at 8*d.* per lb. (which is beyond the mark), the duty since the reduction has been above 450 per cent. *ad valorem!* And it is needless to say that such a duty holds out an overwhelming temptation to smuggling and fraud. The truth is that the reduction of duty in 1825 was an ill-advised measure; and there is perhaps no great reason to conclude that the further reduction of the present duty of 3*s.* 2*d.* per pound to 2*s.* 2*d.* would be much wiser, or

that, while it sacrificed revenue, it would be at all sufficient to suppress illicit practices. It is idle, therefore, by referring to instances of this sort, to endeavour to make it be believed that an adequate diminution of taxation is not followed by a corresponding increase of consumption. Had the duty on coffee, instead of being reduced in 1808 from 1*s.* 8*d.* per lb. to 7*d.*, been reduced only to 1*s.* 3*d.* (the proportion in which the tobacco duty was reduced), the effect would have been comparatively trifling; and instead of the consumption being immediately increased from about 1,000,000 lbs. to 9,000,000 lbs., the presumption is it would not have been increased to more than 2,000,000 lbs. In taxation, as in everything else, unless the means be adequate to the desired ends, the result will be nothing. If you offer a premium of 4 or 5 to 1 on smuggling, do you imagine you will abate the nuisance you have called into existence by reducing the premium to 3½ to 1? It will be found in every case in which a reduction of duty is not followed by a more than corresponding increase of consumption, that the article continues to be over-taxed, or that the duty left upon it either exceeds the cost of smuggling, or places it beyond the reach of those who might otherwise become its consumers. We are bold to say that no instance can be found in the financial history of this or any other country of an adequate reduction of the duty on an over-taxed article not being followed by a cessation of smuggling and a great increase of consumption.

It is thought by many that, were the duty on tobacco reduced to 1*s.* 6*d.* per lb., such a check would be given to smuggling and fraud, that in no very lengthened period the revenue might not lose materially by the measure. But any less reduction than this would serve no good purpose; and all things considered, it would seem that the question of the duty on unmanufactured tobacco may be advantageously postponed. A duty which yields a large amount of revenue, levied upon an article the taste for which is of a very equivocal character,

should not be rashly interfered with. Certainly, however, it would seem that the enormous duty of 9*s.* 6*d.* per lb. on foreign manufactured tobacco might be reduced a half or more with great advantage to the revenue. Latterly not more than about 300,000 lbs. a year of imported cigars have been brought to the charge, three-fourths of the consumption or more being supplied, partly by the inferior sorts manufactured at home, but principally, it is said, by clandestine importations. At present good cigars cost, if sold by respectable dealers, from 16*s.* to 23*s.* per lb., a price so high that it lessens the revenue by forcing the consumption into illegitimate channels and concentrating it upon lower qualities.*

The habit of smoking and snuffing, though not half so bad as the habit of gin drinking, with which it has sometimes been compared, is not one to be recommended. It is extremely prevalent among even the poorest classes; and the expenses into which it leads them are greater than would be readily supposed by those who have not paid some attention to the subject. We have been assured, for example, on excellent authority, that in an agricultural parish in the south of Scotland, with a population of about 600 families, and without a single resident landlord, the expenditure on tobacco exceeds 1,000*l.* a year. And this is not in any respect a peculiar instance. The total expenditure on tobacco in the United Kingdom is probably little, if at all, under 9,000,000*l* a year. It has been estimated by Mr. Porter, the late well-informed Secretary to the Board of Trade, at about 7,600,000*l.*† But Mr. P., though he has allowed for adulteration, has not allowed for the quantities clandestinely imported; and he has also, perhaps, underrated the profits of the retailers, which, especially in country districts, are necessarily very great.

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* Since the above paragraph was in types, a bill has been introduced into Parliament for reducing the duty on cigars to 5*s.* per lb., and that on snuff from 6*s.* 4*d.* to 3*s.* 9*d.* per lb.

† Mr. Porter's tract "On the self-imposed Taxation of the Working Classes."

But assuming the cost to be 8,000,000*l.*, it is equivalent, at 40*l.* a year each, to the subsistence of 200,000 families, or 1,000,000 individuals. And of this immense sum more than three fourths is contributed by the labouring classes. If, therefore, the smuggling of tobacco could be put down (of which, however, there is really no chance) without a reduction of the duty, it would be folly to touch it. And in dealing with the duty it should be fixed, independently of other considerations, as near as practicable to the limit, whatever it may be, fitted to yield the maximum amount of revenue.

The smuggling and adulteration of prohibited and over-taxed articles, and the corruption of the officers, are not evils of recent growth. They have always been found in union with the over-tax system. A paper by Addison, in the "Tatler," No. 131, does justice to the ingenuity of the home producers of wine, who were originally called into existence by the high duties laid on foreign wines in the reign of William III. "There is," says the accomplished essayist, "in this city a certain fraternity of chemical operators, who work under-ground in holes, caverns, and dark retirements, to conceal their mysteries from the eyes and observation of mankind. These subterraneous philosophers are daily employed in the transmutation of liquors; and, by the power of magical drugs and incantations, raise under the streets of London the choicest products of the hills and valleys of France. They can squeeze Bordeaux out of the sloe, and draw champagne from an apple. Virgil, in that remarkable prophecy,—

Incultisque rubens pendebit sentibus uva (*Ecl.* iv. lin. 29.)—

seems to have hinted at this art, which can turn a plantation of northern hedges into a vineyard. These adepts are known among one another by the name of wine-brewers, and, I am

afraid, do great injury not only to her Majesty's customs, but to the bodies of many of her good subjects."

But, neither the wit of Addison nor the more formidable prosecutions of the Excise, could put down the business of this fraternity. And, notwithstanding the late great reduction of the duties on wine, it is believed, that from a fourth to a third part of the champagne, with large quantities of the sherry, sold in London continue to be the produce of the home presses.

The adulteration of the inferior qualities of tea, which are burdened with a duty of above 100 per cent. *ad valorem*, is extensively carried on; from 10,000 to 12,000 tons of potato-flour and other adventitious matters are believed to be annually disposed of as sugar; and those who buy brandy and hollands, on the assurance and in the belief that they have come from Cognac and Schiedam, not unfrequently purchase the produce of the British distilleries. The adulteration of tobacco, especially of snuff, is exceedingly prevalent; and, as previously stated, it appears to be the general opinion of those best acquainted with the trade that the revenue derived from tobacco suffers more from this practice than from its clandestine importation. It is, in truth, one of the best qualities of duties on commodities that they cease to be productive if carried beyond certain reasonable limits. When pushed beyond their natural bounds, their increase, instead of increasing revenue, occasions only an increase of smuggling and fraud.

Spain may be referred to in illustration of what is now stated. The manufactures of the Peninsula being in the most backward state imaginable, there is a proportionally great demand for foreign goods. But the latter being, down to a recent period, either prohibited or loaded with oppressive duties, were almost wholly supplied by the smuggler. The severities occasionally inflicted on the latter, instead of abating, seem really to have increased, the evil of smuggling. The

contraband trade was long a favourite occupation, and was eagerly followed by the adventurous, the necessitous, and the desperate. For a lengthened period from 100,000 to 150,000 individuals were pretty constantly engaged in this occupation; that is, they were engaged in trampling on the laws, obstructing their officers, and committing acts of violence and blood.

And, strange to say, notwithstanding the ruinous influence of this wretched system was long since exposed by Ulloa, Campomanes, Jovellanos, and other distinguished Spaniards, and by Mr. Townsend and other foreigners who had visited the country, and notwithstanding all the vicissitudes Spain has undergone during the last half century, her old anti-commercial policy continued to maintain its ascendancy down to 1849. The tariff was divided into classes; and in addition to innumerable prohibitions, and exorbitant duties on many articles of the first importance, the numerous forms to be observed at the custom-house, and the delays in entering any article, constituted of themselves a considerable premium on smuggling. It is stated that for several years previously to 1849, about 3,000 actions were annually instituted against *contrabandistas* and others engaged in illicit trade, which terminated in the ruin of a vast number of families; at the same time that the courts of law were filled with perjury, and the country with bloody conflicts. And yet these atrocities did not secure any one object government had in view. Native manufactures were not improved, and the customs revenue was all but annihilated.

Notwithstanding their being absolutely prohibited, English and French cotton goods might have been bought in every shop in Madrid, and generally throughout Spain; the former at from 20 to 30 per cent. above their price in Gibraltar, where they are about as cheap as in Manchester; and the latter at from 20 to 30 per cent. above their price in Bayonne, which is nearly identical with their price in Rouen. While Cadiz was a free port, about 6,000 persons are said to have

been employed in it twisting cigars, which, as soon as finished, were forthwith smuggled into the interior. Three-fourths, in fact, of the foreign trade of Spain was in the hands of the *contrabandistas*, and was carried on in defiance of the law. And when such has been the case, need we wonder at the low state of industry, or at the prevalence of those ferocious and sanguinary habits which disgrace the Spanish character?

But, as Hume has observed, there is an extreme point of depression in human affairs from which, when it has been attained, they begin to ascend. The commerce of Spain appears to have sunk, previously to 1849, to the lowest level. And we are glad to have to state, that, despite the strong prejudices to the contrary, a new tariff was enacted in the course of that year, which, though it leaves much to be desired, has effected many important alterations. And we would fain hope that the benefits of which it has already been, and no doubt will continue to be productive, may pave the way for other and still greater improvements. The establishment of a tariff on sound and liberal principles would do more than anything else to stimulate the awakened energies of Spain, and to promote her returning prosperity.

CHAPTER X.

COMPARATIVE PRODUCTIVENESS OF HIGH AND LOW TAXES.

THE statements and reasonings in the previous chapter are sufficient to establish the superior productiveness of such taxes on commodities as are confined within moderate limits. But the subject deserves to be treated at greater length. And as the history of taxation, both in this and other countries, furnishes various conclusive and well-established proofs of

this important principle, we shall take leave to bring a few of them under the notice of the reader. They will consist indifferently either of instances in which a reduction of duty has been followed by an increase of revenue; or of instances in which an increase of duty has been followed by a diminution of revenue.

The reductions made in the duties on tea in 1745 and 1784 strikingly evince the superior productiveness of moderate duties on articles in general demand. Previously to 1745 tea was charged with an excise duty of no less than 4*s.* per lb., and with a customs duty of 14 per cent. *ad valorem*; and it appears that, at an average of the five years ending Midsummer, 1745, the teas entered for consumption amounted to 768,520 lbs. a year, yielding an average excise and customs revenue of 175,222*l.* a year. But though the taste for tea was then comparatively little diffused, it was well known that its clandestine importation was extensively carried on, and that its real was much greater than its apparent consumption. To check this illegitimate traffic, which enriched the smuggler at the expense of the revenue and of the fair trader, a bill was carried through parliament in 1745, in pursuance of the recommendation of a Committee of the House of Commons, by which the excise duty on tea was reduced from 4*s.* to 1*s.* per lb. and 25 per cent. *ad valorem*: and as the price of the teas sold at the Company's sales was then about 4*s.* per lb., the 25 per cent. was, in fact, equivalent to 1*s.* per lb., making the new excise duty 2*s.* per lb., being a reduction of 50 per cent. This measure, which had in a great degree the merit of originality, was eminently successful. In the year immediately after the reduction of the duty, the entries of tea for consumption amounted to about 1,800,000 lbs., being nearly three times as much as they had amounted to in the last year of the high duties; and the increase in the second and third years of the new system was also most strik-

ing. But to set the operation of this well-considered measure in the clearest point of view, we subjoin

An Account of the Quantities of Tea entered for Consumption, and of the Produce of the Excise and Customs Duties thereon during each of the Five Years preceding and subsequent to Midsummer, 1745, when the Excise Duty on Tea was reduced from 4*s.* to 2*s.* per lb.

Years.	Quantities.	Duties.	Years.	Quantities.	Duties.
	lbs.	£ s.		lbs.	£
1741 -	880,700	200,799 0	1746 -	1,800,000	230,400
1742 -	836,200	190,653 10	1747 -	2,000,000	256,000
1743 -	797,200	181,761 10	1748 * -	2,600,000	358,800
1744 -	708,500	161,538 0	1749 -	2,700,000	372,600
1745 -	620,000	141,360 0	1750 † -	2,700,000	372,600
Totals -	3,842,600	876,112 0	Totals -	11,800,000	1,590,400
Average of 5 years -	768,520	175,222 8	Average of 5 years -	2,360,000	318,080‡

* In 1748, five per cent. was added to the customs duty on dry goods; but its influence on tea was next to imperceptible.

† In 1752 the entries increased to 3,000,000 lbs.

‡ This measure was principally carried by the exertions and through the influence of Sir S. T. Janssen, alderman and representative of the city of London. The above account is abstracted from a statement by Janssen in Postlethwaite's Dictionary, art. "Tea," in which the operation of the measure is shown more in detail. We borrow from this statement the following paragraphs:—

"This experimental trial upon the article of 'tea' was the first of the kind, of any material consequence, which was ever made to prove, that the lowering of a high duty upon an article of consumption hath considerably advanced the produce of the public revenue upon such article, by occasioning the surprising general increase of its consumption.

"It shows that a foreign commodity, even of a luxurious nature, may become a general article of consumption, and be rendered fashionable and habitual amongst all ranks and degrees of people, in consequence of reducing a high duty thereon to a moderate one, and thereby augment the revenue, in proportion to the general augmentation of the consumption of such foreign commodity.

"It indicates the next degree to a demonstration, that duties upon commodities may be strained to so high a pitch as to cause a general diminution in their consumption, and consequently to occasion a proportionable diminution in the public revenue which used to arise from the high duty. It excites the unfair trader to act in concert with the smuggler, and the latter to hazard his life to reap the advantage which so great a temptation lays before him. It induces the consumer to enter into a close connexion with the smuggler, in order to come at

But notwithstanding this unanswerable demonstration of the superior productiveness of moderate duties, they were again increased in 1759; and fluctuated, between that epoch and 1784, from about 65 to 120 per cent. *ad valorem*. The effects which followed this inordinate extension of the duties are equally instructive with those which followed their reduction. The revenue was not increased in anything like a corresponding proportion; and as the use of tea had become general, smuggling was carried on to an infinitely greater extent than at any former period. In the *nine* years preceding 1780, above 118 million lbs. of tea were exported from China to Europe in ships belonging to the continent, and about 50 million lbs. in ships belonging to England. But from the best information attainable it appears that the real consumption was almost exactly the reverse of the quantities imported; and that, while the consumption of the British dominions amounted to above 13 million lbs. a year, the consumption of the continent did not exceed five and a half millions. If this statement be nearly correct, it follows that an annual supply of about *eight* million lbs. must have been clandestinely imported into this country, in defiance of the revenue laws. And this was not the worst effect of the high duties; for many of the retail dealers who purchased tea at the East India Company's sales being in great measure beaten out of the market, endeavoured to put themselves into a condition to withstand the competition of the smugglers, by adulterating their teas, or mixing them with sloe and ash

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the commodity which fashion and pride have made necessary to him, since his pocket cannot otherwise reach it.

"It proves that the price of teas has fallen so very considerably, in consequence of the government adopting this plan, that the custom of tea-drinking has since become universal throughout the kingdom, amongst all degrees of people; that the smuggling of this article is greatly abated, and that a surprising increase in the consumption of sugar has ensued, to the great improvement of the sugar colonies, as well as the great increase of the revenue by the duty on sugar; and all these consequences have naturally attended an increase in the consumption of teas, chiefly and principally owing to the lowering the high duty thereon."

leaves.* At length, in 1784, Mr. Pitt, after every other resource for the suppression of smuggling had been tried in vain, resolved to follow the precedent of 1745, and reduced the duty on tea from 119 to 12½ per cent. This measure was as successful as the former. Smuggling and the practice of adulteration were immediately put an end to. The following statement shows that the quantity of tea sold by the East India Company was about trebled in the course of the two years immediately following the reduction.

	lbs.
In 1781 the quantity of tea sold at the East India Company's sales amounted to - -	5,023,419
1782 - - - - - -	6,283,664
1783 - - - - - -	5,857,883
1784 (duties reduced) - - - - -	10,148,257
1785 - - - - - -	16,307,433
1786 - - - - - -	15,093,952
1787 - - - - - -	16,692,426†

While the quantity of tea sold at the Company's sales was thus rapidly augmented in consequence of the reduction of the duty, the quantity imported into the continent from China, which had, in 1784, amounted to 19,027,300 lbs., declined with still greater rapidity, and, in 1791, was reduced to only 2,291,500 lbs.‡

The duties on tea, at an average of the five or six years preceding 1784, produced about 700,000*l.* a year. And, on their being reduced to 12½ per cent., an additional duty, estimated to produce 600,000*l.*, was laid on windows, as a commutation tax, to compensate for the deficiency which it was supposed would take place in the revenue derived from tea. But instead of the duties falling off in the proportion of 119 to 12½, or from 700,000*l.* to 73,000*l.*, they only fell off, in

* Macpherson's "Commerce with India," p. 208; Milburn's "Oriental Commerce," vol. ii. p. 540.

† Macpherson's "Commerce with India," p. 416.

‡ Ibid., p. 210.

consequence of the increased consumption, in the proportion of about *two* to *one*, or from 700,000*l.* to 340,000*l.* The Commutation Act has been always regarded as one of the most successful financial measures of Mr. Pitt's administration. The plan was generally understood at the time to have been suggested by Mr. Richardson, accountant-general of the East India Company. But the popularity of the measure was so great as to induce other parties to claim this honour, and even to occasion some sharp disputes on the subject in the House of Commons. In point of fact, however, the merit of originally suggesting the plan can hardly be said to have belonged either to Mr. Richardson or to any of those who then claimed it. And such of our readers as will take the trouble to look into a pamphlet ascribed to Sir Matthew Decker ("Serious Considerations on the Present High Duties"), published in 1743, will find that a measure similar in principle to that adopted in 1784 had been strenuously recommended forty years before.

The exigencies of the contest in which we were soon after engaged, made the principle of the Commutation Act, and the striking advantage that had resulted from the reduction of the duty, be lost sight of. In 1795 the duty was increased to 25 per cent.; and after successive augmentations in 1797, 1798, 1800, and 1803, it was raised, in 1806, to 96 per cent. *ad valorem*, at which it continued till 1819, when it was raised to 100 per cent. on teas above 2*s.* per lb. We have exhibited the influence of these duties on consumption in the "Commercial Dictionary" (Art. TEA), to which we beg to refer the reader; for as their influence was mixed up with that of the Company's monopoly, it would lead us into inquiries unsuitable to this work were we to attempt to exhibit in this place the operation of the duties only.

But nations are slow and reluctant learners; and despite our previous experience, the tea-duties have latterly been excessive in amount, and their assessment extremely partial and

unfair. When the tea-trade was thrown open by the abolition of the Company's monopoly in 1834, the following duties were imposed on teas when entered for consumption, viz.:—

	s.	d.	
Bohea - - - - - - -	1	6	per lb.
Congou, twankay, hyson skin, orange pekoe, and campoi - - - - - - -	2	2	„
Souchong, flowery pekoe, hyson, young hyson, gunpowder, imperial, and other teas not enumerated	3	0	„

Inasmuch, however, as the prices of bohea and congou in bond rarely exceed, the former 9*d.* or 1*s.*, and the latter from 1*s.* to 1*s.* 10*d.* per lb., the above duties were obviously much too high. And when it is further considered that these descriptions of tea are largely consumed by the lower and middle classes, and are in fact necessaries rather than luxuries, the duties will appear to have been as inexpedient as they were disproportioned to the cost of the articles on which they were imposed. Had the duties on bohea been fixed at 10*d.* or 1*s.*, and those on congou at 1*s.* 3*d.* or 1*s.* 6*d.* per lb., they would have been, if anything, too heavy. But the above rates of duty were so exorbitant that they could not fail to reduce the consumption—directly, by the disproportioned addition they made to the price of tea; and indirectly, by the encouragement they gave to adulteration.

The above scale of duties was not, however, long in operation. Though the qualities and prices of different sorts of tea differ very widely, as much so as the qualities and prices of different sorts of wine, the proximate varieties are not easily distinguished. And it was alleged that practically it was impossible to discriminate between the teas on which different rates of duty were to be paid; and that teas admitted at one port at the low duty of 1*s.* 6*d.* were charged at other ports with the higher duties of 2*s.* 2*d.* and 3*s.* per lb. It cannot be doubted that there was some considerable foundation for these statements; though well-informed parties believed them to be exaggerated, and thought that, by confining the importation of

teas to two or three principal ports, and employing officers well acquainted with their qualities, a classified scale of duties might have been enforced with sufficient fairness. It was only, indeed, in the substitution of congou for bohea that any considerable frauds either could or were alleged to take place. And supposing they could not otherwise have been got rid of, the better plan would have been to have admitted congou, or all black teas, at the same duty as bohea, or rather at a duty of 1*s.* 4*d.* or 1*s.* 6*d.* per lb. Had this been done, and the duties on other descriptions of tea been allowed to remain as before, the grievance complained of would have been sufficiently redressed, and a very great boon conferred on the public.

This course was not, however, adopted. Government, influenced partly by a wish to get rid of the outcry raised by the importers against the discriminating duties, and partly, perhaps, by a doubt whether they could be fairly collected, consented to their abolition. This was effected by the statute 5 & 6 William IV. cap. 32., which enacted, that from the 1st of July 1836, a duty of no less than 2*s.* 1*d.* (increased in 1840 to 2*s.* 2¼*d.*) per lb. should be charged on all teas entered for consumption in the United Kingdom. But while we admit that the necessity of the case, or the impossibility of fairly assessing discriminating duties, may have justified their repeal, and the imposition of a single duty in their stead, we contend that nothing could justify the magnitude of this single duty, which was, beyond all question, the most objectionable in our tariff.

It was, we are aware, alleged that the duty of 2*s.* 2¼*d.* per lb. was not really so bad as it looked; that it was a mistake to suppose that the lower classes used inferior teas; and that the reduction of the duty on them would not materially increase their consumption! But those who made such statements either knew nothing of the facts of the case, or reckoned on the ignorance of those to whom they addressed

themselves. It appears from the official returns, that in 1816–17 and 1817–18, the price of bohea sold at the Company's sales was about 2*s.* 6*d.*, so that it must have cost the buyer, duty included, about 5*s.* per lb.; and in these years the consumption amounted, at an average, to 1,784,000 lbs. a year. But in 1830–31 and 1831–32, when the price of bohea to the buyer was reduced to 3*s.* 4*d.* per lb. (1*s.* 8*d.* price, and 1*s.* 8*d.* duty), the consumption rose to 6,285,000 lbs.; showing, beyond dispute, that a fall of 1*s.* 8*d.* in the price of bohea had more than trebled its consumption! And though St. Augustine has said that *Nullum mendacium tam impudens est ut teste careat*, we hardly think that any one will venture to affirm, in the teeth of an experiment like this, that bohea is not used, when it can be procured, by the poorer classes; or that the demand for it would not be very greatly extended by an effectual reduction of its price.

The too great magnitude of the duty having become obvious to every one, its reduction formed a leading feature in the budget introduced by Mr. Disraeli in 1852, after the rejection of which it formed an equally prominent feature in the budget introduced by Mr. Gladstone, and was embodied in a law, the duty being regulated as follows, viz.:—

To 5th April 1854.	From 5th April 1854 to 5th April 1855.	From 5th April 1855 to 5th April 1856.	From and after 5th April 1856.
1*s.* 10*d.* per lb.	1*s.* 6*d.* per lb.	1*s.* 3*d.* per lb.	1*s.* 0*d.* per lb.

But, among its other mischievous effects, the war with Russia made it necessary, not merely to suspend this arrangement, but to raise the duties to 1*s.* 9*d.* per lb., at which rate they continued till the 6th April 1857, when they were reduced to 1*s.* 5*d.* per lb., their rate down to the present time; and unless it should be found practicable to assess them on an *ad valorem* principle, or the revenue considerably exceed the expenditure, they had better not be disturbed.

We have already shown that neither their further reduction nor even repeal would be half so advantageous as is commonly supposed.

Previously to 1732, the duty on coffee amounted to 2*s.* a pound; but an act was then passed, in compliance with the solicitations of the West India planters, reducing the duty to 1*s.* 6*d.* a pound; at which it stood for many years, producing, at an average, about 10,000*l.* a year. In consequence, however, of the prevalence of smuggling, caused by the too great magnitude of the duty, the revenue declined, in 1783, to 2,869*l.* 10*s.* 10½*d.* And as it was found impossible otherwise to check the practice of clandestine importation, the duty was reduced, in 1784, to 6*d.* The results of this wise and salutary measure were most beneficial. Instead of being reduced, the revenue was immediately raised to near *three* times its previous amount, or to 7,200*l.* 15*s.* 9*d.*, showing that the consumption of legally imported coffee must have increased in about *a ninefold* proportion; a conclusive proof, as Mr. Bryan Edwards has observed, of the effect of heavy taxation in defeating its own object.*

The history of the coffee trade abounds with similar and yet more striking examples of the superior productiveness of low duties. In 1807 the duty on coffee was 1*s.* 8*d.* a pound; and the quantity entered for home consumption amounted to 1,170,164 lbs., yielding a revenue of 161,245*l.* 11*s.* 4*d.* In 1808 the duty was reduced from 1*s.* 8*d.* to 7*d.*; and in 1809 no fewer than 9,251,847 lbs. were entered for home consumption, yielding, notwithstanding the reduction of duty, a revenue of 245,856*l.* 8*s.* 4*d.* The duty having been raised in 1819 from 7*d.* to 1*s.* a pound, the quantity entered for home consumption in 1820 fell to 6,869,286 lbs., yielding a revenue of 340,223*l.* 6*s.* 7*d.* In 1824, however, the duty on West Indian

* "History of the West Indies," vol. ii. p. 340, 8vo ed.

coffee being again reduced from 1*s.* to 6*d.*, the quantity entered for home consumption in 1825 was 10,766,112 lbs. In 1830 it had increased to 21,840,520 lbs., producing a nett revenue of 558,544*l.* And the duty on all descriptions of British coffee having been equalised in 1839, and reduced to 4⅕*d.* per lb. in 1842, the consumption rose in 1847 to 37,441,373 lbs. But chicory having now begun to be largely substituted for coffee, the consumption of the latter was considerably reduced (*ante*, p. 235). In 1850 it amounted to 31,166,358 lbs., and the revenue to 565,659*l.* In 1862 the entries for home consumption had increased to 34,664,135 lbs.; and the presumption is, that but for chicory, they would have exceded 40,000,000 lbs. The duties on foreign and British colonial coffee were equalised in 1851, and fixed at the low rate of 3*d.* per lb. It is worthy of especial observation that the extraordinary increase in the consumption of coffee after 1809 took place, not only without any diminution, but with a very material contemporary increase, in the consumption of tea.

The history of the duties on spirits furnishes equally conclusive evidence of the superior productiveness of reasonable duties, and of the loss of revenue, smuggling, and other pernicious consequences that uniformly follow every attempt to carry them beyond their natural limits. There can, indeed, be no better subjects for taxation than spirituous and fermented liquors. They are essentially luxuries; and while reasonable duties on them are, in consequence of their being very generally used, exceedingly productive, the increase of price which they occasion lessens their consumption by the poor, to whom, when taken in excess, they are most pernicious. Few governments, however, have been satisfied with imposing reasonable duties on spirits; but being actuated by an inconsistent desire to increase the revenue, and, also, to place them beyond the reach of the lower classes, have almost invariably loaded them with such excessively high duties as have entirely defeated both objects. The imposition

of duties does not lessen the appetite for spirits. And as no vigilance of the officers or severity of the laws has been found sufficient to secure a monopoly of the market to the legal distillers, the real effect of too high duties is to throw the supply of a large proportion of the demand into the hands of the illicit distiller, and to superadd the atrocities of the smuggler to the idleness and dissipation of the drunkard.

During the latter part of the reign of George I., and the earlier part of that of George II., gin-drinking was exceedingly prevalent; and the cheapness of ardent spirits, and the multiplication of public-houses, were denounced from the pulpit, and in the presentments of grand juries, as pregnant with the most destructive consequences to the health and morals of the community. At length ministers were goaded on to make a vigorous effort to put a stop to the further use of spirituous liquors, except as a cordial or medicine. For this purpose an act was passed in 1736, the history and effects of which deserve to be studied by all who are clamorous for an increase of the duties on spirits. Its preamble is to this effect:—"Whereas the drinking of spirituous liquors, or strong waters, is become very common, especially among people of lower and inferior rank, the constant and excessive use of which tends greatly to the destruction of their health, rendering them unfit for useful labour and business, debauching their morals, and inciting them to perpetrate all vices; and the ill consequences of the excessive use of such liquors are not confined to the present generation, but extend to future ages, and tend to the destruction and ruin of this kingdom." The enactments were such as might be expected to follow a preamble of this sort. They were not intended to repress the vice of gin-drinking, but to root it out altogether. To accomplish this, a duty of 20*s.* a gallon was laid on spirits, and a licence duty of 50*l.* a year on retailers, at the same time that their sale in any less quantity than *two* gallons was prohibited. Extraordinary encouragements were also held out to informers, and a fine of 100*l.* was ordered to be

rigorously exacted from unlicensed dealers, and from every one who, were it even through inadvertency, should vend the smallest quantity of spirits which had not paid the full duty. Here was an act which might, one would think, have satisfied the bitterest enemy of gin. But, instead of the anticipated effects, it produced those directly opposite. Respectable dealers withdrew from a trade proscribed by the legislature; so that the spirit business fell almost entirely into the hands of the lowest and most profligate characters, who, as they had nothing to lose, were not deterred by penalties from breaking through all the provisions of the law. The populace having in this, as in all similar cases, espoused the cause of the smugglers and unlicensed dealers, the officers of the revenue were openly assaulted in the streets of London and other great towns; informers were hunted down like wild beasts; and drunkenness, disorder, and crime increased with a frightful rapidity. "Within two years of the passing of the act," says Tindal, "it had become odious and contemptible, and policy as well as humanity forced the commissioners of excise to mitigate its penalties." *

The same historian mentions (vol. viii. p. 390), that during the two years in question no fewer than 12,000 persons were convicted of offences connected with the sale of spirits. But no exertion on the part of the revenue officers and magistrates could stem the torrent of smuggling. According to a statement made by the Earl of Cholmondeley, in the House of Lords,† it appears that, at the very moment when the sale of spirits was declared to be illegal, and every possible exertion made to suppress it, upwards of seven millions of gallons were annually consumed in London, and other parts immediately adjacent! Under such circumstances government had but one course to follow—to give up the unequal struggle. In 1742 the high prohibitory duties were accordingly repealed, and

* "Continuation of Rapin," vol. viii. p. 358, ed. 1759.

† Timberland's "Debates in the House of Lords," vol. viii. p. 388.

such moderate duties imposed in their stead as were calculated to increase the revenue, by encouraging the consumption of legally distilled spirits. The bill for this purpose was vehemently opposed in the House of Lords by the greater number of the bishops, and many other peers, who exhausted all the artifices of rhetoric in depicting the mischievous consequences that would result from a toleration of the practice of gin-drinking. To these declamations it was unanswerably replied, that it was impossible to put it down by prohibitory enactments; and that the attempts to do so had been productive of far more mischief than had ever resulted, or could be expected to result, from the greatest abuse of spirits. The consequences of the change were highly beneficial. An instant stop was put to smuggling; and if the vice of drunkenness was not materially diminished, there is no evidence to show that it was increased.

But it is unnecessary to go back to the reign of George II. for proofs of the impotency of high duties to take away the taste for spirits, or to lessen their consumption. The occurrences that took place during the reigns of George III. and George IV. are equally decisive in regard to this question.

Perhaps no country has suffered more from the abuse of duties on spirits than Ireland. If heavy taxes, enforced by severe fiscal regulations, could make a people sober and industrious, the Irish would have been the most so of any. To make the possessors of property join heartily in suppressing illicit distillation, the novel expedient was resorted to in Ireland, of imposing a heavy fine on every parish, townland, manorland, or lordship, in which an unlicensed still was discovered; while the unfortunate wretches found working it were subjected to transportation for seven years. But instead of putting down illicit distillation, these unheard of severities rendered it universal, and filled the country with bloodshed, and even rebellion. "The Irish system," says the Rev. Mr. Chichester, in his valuable pamphlet on the Distillery Laws,

published in 1818, "seems to have been formed in order to perpetuate smuggling and anarchy. . It has culled the evils of both savage and civilized life, and rejected all the advantages which they contain. The calamities of civilized warfare are, in general, inferior to those produced by the Irish distillery laws; and I doubt whether any nation of modern Europe, which is not in a state of actual revolution, can furnish instances of legal cruelty commensurate to those which I have represented." *

These statements are borne out to the fullest extent by the official details in the Reports of the Revenue Commissioners. In 1811, say the commissioners (Fifth Report, p. 19.), when the duty on spirits was 2*s.* 6*d.* a gallon, duty was paid in Ireland on 6,500,361 gallons (Irish measure); whereas, in 1822, when the duty was 5*s.* 6*d.*, only 2,950,647 gallons were brought to the charge. According to the commissioners the annual consumption of spirits in Ireland was at this very period not less than ten millions of gallons. But, as scarcely three millions paid duty, it followed that seven millions were illegally supplied; and "taking one million of gallons as the quantity fraudulently furnished for consumption by the licensed distillers, the produce of the unlicensed stills may be estimated at six millions of gallons."—(Ib. p. 8.) Now, it is material to keep in mind, that this vast amount of smuggling was carried on in defiance of the above barbarous statutes, and of the utmost exertions of the police and military to prevent it; the only result being the exasperation of the populace, and the perpetration of revolting atrocities both by them and the military. "In Ireland," say the commissioners, "it will appear, from the evidence annexed to this Report, that parts of the country have been absolutely disorganised, and placed in opposition not only to the civil authority, but to the military force of the government. The profits to be obtained

* Pp. 92–107.

from the evasion of the law have been such as to encourage numerous individuals to persevere in these desperate pursuits, notwithstanding the risk of property and life with which they have been attended."

To put an end to such evils, the commissioners recommended that the duty on spirits should be reduced from 5*s.* 7¼*d.* to 2*s.* 4¼*d.* (the imperial gallon); and government having wisely consented to act upon this recommendation, the duties were reduced accordingly, in 1823. And such was the influence of this measure, that the spirits charged with duty, which in 1823 had amounted to 3,590,376 gallons, had increased to 9,262,744 gallons in 1825.

Sir Robert Peel is reported to have said, in his financial statement on the 11th of March 1842, that the consequences which followed the reduction of the duty on coffee, in 1808, from 1*s.* 8*d.* to 7*d.* per lb. (see p. 363.) furnished by far the most favourable illustration of the principle of the superior productiveness of low duties. Perhaps, however, the reader may be disposed to think that the reduction of the duty on spirits in Ireland in 1823, now brought under his notice, is but little, if at all, less conclusive in favour of the principle referred to. In the instance of coffee there was little smuggling or adulteration (for chicory had not then been heard of) to provide against; and it was next to certain that to whatever extent consumption might be increased through the reduction of the duty, the revenue would be proportionally indemnified. But in the instance of the spirit-duties this was not the case. The consumption had not declined, but had been diverted into illegitimate channels; and it was clear that all the ingenuity and resources of the smuggler would be brought into the field, and be exerted to preserve the trade he had long carried on, and to defeat and evade the duty. And yet, despite these adverse circumstances, a reduction of about 50 per cent. in the duty was immediately followed by an increase of the legitimate consumption of spirits from about 3½ to above 9 millions of gallons, the re-

venue, at the same time, increasing, from between 600,000*l.* and 800,000*l.*, to above a million sterling! It is not easy to imagine a more unanswerable demonstration of the greater productiveness of moderate duties.

It has been objected to this measure that it was injurious in a moral point of view, by occasioning an increased consumption of spirits. But the statements already made show the groundlessness of this allegation. The reduction of the duties substituted legal for illegal distillation, and freed the country from the perjuries and other atrocities that grew out of the previous system; but it would be wholly erroneous to say that it increased drunkenness. The commissioners, who had the best means of obtaining accurate information, estimated the consumption of spirits in Ireland, in 1823, at ten millions of gallons; and when greatest, in 1838, fifteen years after, when the population had been largely increased, the consumption was only 12,296,842 gallons. No doubt, therefore, the measure deserves to be considered as having been, in every point of view, most successful. The extraordinary diminution in the consumption of spirits in Ireland, after 1839, though in some degree, perhaps, ascribable to the addition of 4*d.* a gallon made to the duty in 1840, was principally owing to the great exertions of Father Matthew, and the spread of temperance societies; and notwithstanding the loss of revenue it occasioned, the change was productive of much public advantage; and provided it had been maintained, few things could have occurred seemingly better fitted to improve the physical as well as the moral condition of the people. The ill-advised addition of 1*s.* a gallon made to the duty in 1842 was repealed in 1843; for while it gave a powerful stimulus to clandestine distillation, it is abundantly certain it would not have added anything to the revenue, or given any additional stimulus to the temperance movement.

The experience of Scotland is hardly less conclusive in regard to the advantage of low duties on spirits than that of

Ireland; exorbitant duties having produced nearly the same effects in the former as in the latter. Mr. John Hay Forbes, sheriff-depute of Perthshire, and a lord of session, stated in evidence before the Commissioners of Revenue Inquiry, that, according to the best information he could obtain, the quantity of illegally distilled spirits annually produced in the Highlands could not amount to less than two millions of gallons. In corroboration of this he stated that, in 1821, only 298,188 gallons were brought to the charge in the Highlands; and of these, 254,000 gallons were permitted to the Lowlands, leaving only 44,000 gallons for the consumption of the whole country; a supply which would hardly have been sufficient for the demand of two moderately populous parishes. In a letter of Captain Munro, of Teaninich, to the commissioners, it is stated that, "at Tain, where there are upwards of twenty licensed public-houses, not one gallon had been permitted from the legal distilleries for upwards of twelve months," though a small quantity of smuggled whisky had been purchased at the excise sales, to give a colour of legality to the trade." The same gentleman thus expresses himself in another part of his letter:—"The moral effects of this baneful trade of smuggling on the lower classes are most conspicuous, and increasing in an alarming degree, as evidenced by the multiplicity of crimes, and by a degree of insubordination formerly little known in this part of the country. In several districts, such as Strathconon, Strathcarron, &c., the excise officers are now often deforced, and dare not attempt to do their duty; and smuggled whisky is often carried to market by smugglers escorted by armed men, in defiance of the laws. In short, the Irish system is making progress in the Highlands of Scotland."

To arrest the progress of demoralisation, government, pursuant to the judicious advice of the commissioners, reduced the duties on Scotch to the same level as those on Irish whisky; and the consequences were equally signal and salutary.

Previously to the reduction of the duty on Irish and Scotch spirits, in 1823, the duty on English spirits amounted to 11*s.* 8¼*d.* a gallon. This high duty, and the restrictions under which the trade was placed, were productive of the worst effects. They went far to enable the distillers to fix the price of spirits, "and consequently" (we quote the words of the commissioners) "to raise it much beyond that which was sufficient to repay, with a profit, the cost of the manufacture and the duty advanced to the Crown." And, in proof of this, the commissioners mention that, in November 1823, "when corn spirits might be purchased in Scotland for about 2*s.* 3*d.* a gallon, raw spirits could not be purchased in England for less than 4*s.* 6*d.* ready money, and 4*s.* 9*d.* credit, omitting in both cases the duty." In consequence of this state of things, the adulteration of spirits was carried on to a great extent in England; and the large profits made by the smuggler occasioned their clandestine importation in considerable quantities from Scotland and Ireland. To obviate these inconveniences, and at the same time to neutralise the powerful additional stimulus that the reduction of the duties in Scotland and Ireland would have given to smuggling, had the duties in England been continued at their former amount, the latter were reduced, in 1826, to 7*s.* a gallon; facilities being at the same time given to the importation of spirits from the other parts of the empire. In consequence of these measures the quantity of spirits brought to the charge was about doubled. In a fiscal point of view the success of the measure was too obvious to admit of dispute; but, like the preceding measures in Ireland and Scotland, it was complained of for the encouragement it was said to have given to gin-drinking. But there was really no foundation for this complaint. At the period (1823) when the consumption of home-made spirits appeared, from the excise returns to amount to about three and a half million gallons, the commissioners of revenue inquiry estimated it, taking the smuggled spirits into account, at between five and six millions

ditto! and it appears from the published accounts that it amounted, for the year 1850, to 9,331,512 gallons, producing 3,649,685*l.* 15*s.* 2*d.* of revenue; so that making allowance for the increase of population after 1823, and for the check given to adulteration and smuggling, it may be safely affirmed that the practice of spirit drinking had not increased in England during the preceding twenty years.

Of late years, however, our policy in regard to the spirit duties has been greatly modified. When the last edition of this book was published in 1852, the duties on spirits were in England 7*s.* 10*d.*, in Scotland 3*s.* 8*d.*, and in Ireland 2*s.* 8*d.* per gallon. Such unequal duties led to a good deal of smuggling, and to various restrictions on the intercourse between the different parts of the United Kingdom. The equalization of the duties was, therefore, extremely desirable. Though, owing to the differences between the different divisions of the empire, this was a measure attended with great difficulties. These, however, were reduced, partly by the diminution of the population in Ireland occasioned by the potato rot of 1846 and the subsequent emigration, and partly by what may be called the occupation of the Highlands by the gentry of England, and the employment thereby afforded to great numbers of the people. The temptation and the opportunity to engage in illicit distillation in Ireland and Scotland being thus materially diminished, advantage was taken of the circumstance to lessen the difference between the duties. Hence, after some previous changes, they were fixed in 1856 at 8*s.* per gallon in England and Scotland, and at 6*s.* 2*d.* in Ireland; the latter being raised in 1858 to the same level as the others.

But the equalization that was thus effected would, it is believed, have been more advantageous had the duty been generally fixed at 7*s.* instead of 8*s.* per gallon. Even the higher duty was, however, very soon extended, for in 1860 it was attempted to raise 1,000,000*l.* a year, by increasing the spirit

duties to 10*s.* per gallon. But, as might have been foreseen, this addition has completely overshot the mark, and has seriously depressed the distillery, and benefited the smuggler without augmenting the revenue. In proof of this, we subjoin—

A RETURN showing the Quantities of British Spirits used for Home Consumption in the United Kingdom during each of the Six Years ending with 1862, with the Rates of Duty on such Spirits, and the Amount of Duty thereon in each Year.

Years.	Spirits for Home Consumption.	Rates of Duty per Gallon.			Amount of Duty thereon.		
	Proof gallons.		*s.*	*d.*	£	*s.*	*d.*
1857	23,083,794	England and Scotland -	8	0	8,661,229	5	1
		Ireland - - -	6	2			
1858	23,087,056	England and Scotland -	8	0	8,955,713	12	4
		Ireland - - -	6	2			
		Do. from 19 April -	8	0			
1859	23,729,404	England, Scotland, and Ireland - -	8	0	9,491,761	12	0
1860	21,338,448	England, Scotland, and Ireland - -	8	0	9,461,819	17	11¾
		Do. from 29 Feb. -	8	1			
		Do. from 17 July -	10	0			
1861	19,514,201	England, Scotland, and Ireland - -	10	0	9,757,100	10	0
1862	18,836,187	Do. - - -	10	0	9,418,093	10	0

Now it appears, from this statement, taking the year 1859, when the duty was 8*s.* for a standard, that the increase of the duty to 10*s.* has been accompanied by a decline of nearly 5,000,000 gallons in the quantity of spirits entered for consumption, while the average annual increase of the duty during the last three years has only amounted to 53,906*l.* 14*s.* a year instead of the 1,000,000*l.* it was estimated to produce! A portion of the falling off in 1862 may probably be owing to the depressed state of the cotton manufacturing districts. But there is nothing, save the additional duty, to account for the extraordinary falling off in 1860 and 1861. The sooner, therefore, it is repealed the better. The preferable plan, however, would be to reduce the duty to 7*s.* a gallon.

It may be said, perhaps, that though the addition made to the duties in 1860 has failed financially, it has been advan-

tageous by diminishing the consumption of spirits. But there is no evidence to show that such has really been the case. What with the increase of smuggling and adulteration, those best acquainted with the facts are satisfied that the consumption of spirits, or of the articles sold by that name, is as great now as in 1858 and 1859. The over-tax policy into which we have unfortunately relapsed has given a stimulus to some of the most debasing practices, but it has done nothing to promote the sobriety of the people. It is, indeed, more than doubtful whether this result, though desirable, is likely to be brought about by either fiscal or police regulations. Hitherto their effect has been entirely different, and there are no grounds for thinking that it will be otherwise in time to come. The better education of the people, and the introduction of other and more improved tastes, would, no doubt, weaken the passion for stimulating drinks; but it is not one that will be abated by coercive measures.

Had the malt-duty been reduced when the spirit-duty was increased, it is likely that the demand for malt liquor would have become greater. But, this not being done, the smuggler and the adulterator have had nothing but the law to contend with; and it has never been a match for them.

It is to be observed that the late increase of the duties on spirits, that is, of the duties on one of the principal luxuries of the poor, was almost consentaneous with a very great reduction of the duties on wine, a leading luxury of the rich. One, however, would have thought that if either was to be reduced, the former should have had the preference. And the contrary proceeding is one of a very anomalous character, and of which it is difficult to see either the impartiality or the expediency.

Perhaps it will be said that the duties on wine were not reduced to benefit the rich, but to bring it within the command of the poor. But the total abolition of the duties on wine would not effect that object. The lowest qualities of wine, though relieved from all duty, are higher-priced than

malt liquor; and, while they are neither so nutritious nor so invigorating, they are disliked by the poor. The reduction of the duties will extend the consumption of wine among the middle and upper classes, especially the former; but it will not, nor is it desirable that it should, extend its consumption among the lower classes, to whom malt liquor is in all respects better suited.

Besides the efforts that have been made to enforce temperance by means of high duties, the same thing has been attempted indirectly by the agency of the licensing system, or by preventing the sale of intoxicating liquors in houses not licensed for the purpose by the magistrates. This system, which has been often denounced, has given rise to much jobbing and abuse, and it is not a little surprising that it should have been tolerated for so long a period. It is right, no doubt, that measures should be taken to enforce good order in public-houses; but that might be better done without than with the aid of the licensing system. Were it enacted that all individuals who pleased might open public-houses, provided they had previously deposited a certain sum (say 50*l.*), which should be forfeited, and themselves declared incapable of carrying on the business, in the event of their keeping disorderly houses, the public interests would be much better protected than they are at all likely to be under the existing system. The latter enables the justices to persecute and oppress individuals against whom they happen to entertain any prejudice, however ill-founded; and is in every respect most objectionable.

The history of the duties on foreign spirits (brandy and geneva) affords an additional illustration of the pernicious influence of oppressive duties. At an average of the four years ending with 1782, when the duties on brandy and geneva amounted to 9*s.* per wine gallon on proof spirits, and to 18*s.* per do. on such as were of greater strength, 740,604 gallons (643,112 brandy, and 97,492 geneva) were annually

entered for consumption. But it appears, from a statement in the First Report of the Revenue Commission of 1783, that the Commissioners of Excise estimated that in the preceding *three* years upwards of 13,000,000 gallons of foreign spirits had been clandestinely imported.* This estimate may, perhaps, have been exaggerated; but that smuggling was then carried on to an unprecedented extent, is a fact which no one has attempted to dispute. Mr. Pitt, who was fully aware of the magnitude of the evil, determined upon its suppression, and in that view reduced the duty to 5*s.* a gallon. The event more than answered his expectations; the entries for consumption having amounted, in 1789 and 1790, to 2,114,025 gallons a year, at an average. In 1791 the duty was raised to 5*s.* 10*d.* per gallon; the quantities entered for consumption in that year and in 1792 being respectively 1,949,418 and 1,984,822 gallons.

During the war that soon after broke out with France the duties were increased till, at length, they amounted, in 1814, to 18*s.* 10*d.* per wine gallon, equal to 22*s.* 6*d.* per imperial gallon. In 1840 they were further raised to 22*s.* 10*d.* a gallon!

During the war the trade was liable to so many interruptions from other causes than the variations in the rate of duty, that no proper estimate can be formed of the peculiar influence of the latter. But after the peace the mischievous influence of the exorbitant height to which it was carried became obvious to every one.

The cost of brandy and geneva varies in the contiguous continental ports from 3*s.* to 7*s.* a gallon; and it is needless to say, that under the circumstances smuggling and adulteration were very extensively practised. Round the coasts of Kent and Sussex the fishermen and country-people were more than half smugglers; and ferocious contests not unfrequently took

* Hamilton's "Principles of Taxation," pp. 273, 275.

place between them and the coast-guard. And while, on the one hand, the revenue was defrauded by the clandestine introduction of foreign spirits, the public was, on the other, equally defrauded by the sale of counterfeits, passed off as genuine Cognac and Schiedam.

We remarked upon this circumstance in the first edition of this work as follows:—"Such being the facts of the case, can any one doubt that a reduction of the duty on foreign spirits to 10*s.* or 12*s.* a gallon would be highly advantageous? The precedent of 1786, when Mr. Pitt trebled the legitimate consumption of foreign spirits, and added considerably to the revenue by taking 50 per cent. from the duties, is in all respects applicable to the existing state of things. It may be supposed, perhaps, that were the consumption of brandy and geneva to increase, that of British spirits would be proportionally diminished; so that the revenue would lose on the one hand by the reduction of the duties what it gained on the other. Such, however, could not be the case. The duties on British spirits are, in England, 7*s.* 10*d.*; in Scotland, 3*s.* 8*d.*; and in Ireland, 2*s.* 8*d.* per gallon respectively; making it plain that to whatever extent they might be superseded by spirits charged with a duty of 10*s.* or 12*s.* per gallon, the revenue would be largely benefited. There is not, however, any real ground for supposing that the proposed change would sensibly affect the consumption of British spirits. The latter would be used after the reduction of the duty on foreign spirits, as they are used at this moment, by the bulk of the lower classes, the consumption of foreign spirits being principally confined to those of a superior grade. The reduction of the duty on foreign spirits in 1786 was not followed by any falling off in the consumption of British spirits; and though the consumption of coffee was increased more than six-fold by the reduction of the duty in 1808, that increase, gigantic as it was, had no apparent effect on the consumption of tea. And what reason is there for thinking that the increased consumption of foreign spirits should have a different effect? The

reduction of the duty to 10*s.* or 12*s.* a gallon would make an end of the smuggling which is now so extensively carried on; and would, in this way, add materially to the revenue and to the well-being of the population."

Happily this view of the matter was taken by Sir Robert Peel, who reduced the duties in 1846 from 22*s.* 10*d.* to 15*s.* a gallon. And, though this reduction did not entirely repress, it gave a great check to smuggling, and added considerably to the legitimate imports. The duties have since been reduced to 10*s.* a gallon, or to the same level as the duty on British spirits. But we doubt whether the duty on foreign spirits should have been reduced below 12*s.* a gallon. They are more valuable than British spirits; and to admit them at the same duty that is laid on the latter is in reality equivalent to a bounty or premium in their favour.

It is a curious fact that notwithstanding the immense increase of population and wealth since 1790, the consumption of wine has remained nearly stationary. This result has been ascribed to the change of habits, and the increase of temperance among the middle and upper classes. But though this has, no doubt, had considerable influence, we incline to think that the great increase in the numbers of those who drink wine would more than countervail the change of habit; and that the falling off in the consumption as compared with the population is to be ascribed to the increase of the duties, and to the extensive adulteration to which wine is subject. We have previously noticed the sudden and rapid increase in the consumption of French wines occasioned by the reduction of the duty, in 1825, from 13*s.* 9*d.* to 7*s.* 6*d.* per imperial gallon (*ante*, p. 181). But the reduction in 1825 was not confined to French wines; it was universal, and amounted to about 50 per cent., the duty on Portuguese, Spanish, and Sicilian wines being reduced from 9*s.* 1*d.* to 4*s.* 10*d.* per imperial gallon, and that on Rhenish from 11*s.* 3*d.* to 4*s.* 10*d.* Now observe the influence of this effectual re-

duction. At an average of the four years ending with 1824, the consumption amounted to 4,792,259 gallons a year; whereas at an average of the four years beginning with 1826 (being those after the reduction), the consumption amounted to 6,566,208 gallons a year, or to 1,773,949 gallons more than during the high duties. In consequence of the increase of consumption the loss to the revenue occasioned by the reduction in 1825 was but inconsiderable.

The duties continued on this footing, or at the rate of 7*s.* 6*d.* per gallon on French, and of 4*s.* 10*d.* per ditto on other foreign wines, till they were equalized, in 1831, by the Act 1 & 2 Will. IV. c. 30., which imposed a duty of 5*s.* 6*d.*, increased in 1840 to 5*s.* 9*d.*, per imperial gallon on all foreign wines (French included), and of 2*s.* 9*d.* per ditto on those of the Cape.

But notwithstanding the comparatively fair principle on which the duty was now imposed, and its extensive reduction, an opinion began to gain ground that it was still too high. And though this was not the case when the duty was charged on the superior, it was the case when it was charged on the inferior descriptions of wine, which, indeed, it went far to exclude. It is much to be regretted that it has not been reckoned practicable to assess the duty on an *ad valorem* principle; for it is contradictory and absurd to impose the same duty on wine worth only 10*l.* as on wine worth 60*l.* a hogshead. But as the difficulties in the way of assessing an *ad valorem* duty were found, or supposed, to be insuperable, it became necessary to fix a duty which should apply to all sorts of wine. And as the inferior varieties, the introduction of which was held to be of great importance, would only bear a low duty, government were strongly urged to fix it at 1*s.* a gallon, a proposal which was, in the end, partially assented to.

It was, however, supposed, had there been no restriction on its strength, that it might be possible to import spirits under the guise of wine. And to meet this contingency the duties have been made to depend on the quantity of alcohol in the latter, being 1*s.* per gallon on wines containing less than

26 degrees of proof spirit, and 2*s.* 6*d.* per gallon on wines containing more than 26 and less than 42 degrees of spirits: those with more than 45 degrees being excluded. The following is the scale of duty under which wine is at present admitted:—

Containing less than the following Rates of Proof Spirits, verified by Sykes's Hydrometer, viz.:—	26 Degrees.	42 Degrees.	If imported in Bottles and containing less than 42 Deg.
	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
Red - - - the gallon	0 1 0	0 2 6	0 2 6
White - - - „	0 1 0	0 2 6	0 2 6
Lees of such Wine „	0 1 0	0 2 6	0 2 6
And for every degree of strength beyond the highest above specified, an additional duty of 3*d.* per gallon.			

All Wine containing 45 per cent. and upwards of Proof Spirit, as verified by Sykes's Hydrometer, imported into Great Britain and Ireland shall be deemed to be mixed Spirits, and charged with Duty as such. And no more than 10 per cent. of such Proof Spirit shall be used in the fortifying of any Wine in Bond; nor shall any Wine be fortified in Bond to a greater degree of strength than 40 per cent. of such Proof Spirit. (25 Vic. c. 22, Schedule.)

There has been a very great increase in the imports of inferior wine, and also in the entries thereof for consumption. The reduction of the duty, though it could not well be carried farther, was too inconsiderable to have any material influence over the price of the superior varieties of wine; but it has told with effect on the inferior varieties, large quantities of which have been taken off by the middle classes. No doubt, however, these demands were to a considerable extent experimental; and no safe conclusions could be drawn from them.

In corroboration of what has now been stated, it may be mentioned that in 1859, the last year of the old duties on wine, the entries for consumption amounted to 6,775,992 gallons. In 1861, the first year of the low duties, the entries were 10,693,071 gallons; but, in 1862, they fell off to 9,803,046* gallons, it being at the same time doubtful whether even this reduced quantity will be maintained. And as the increase,

* In part estimated; but it must be very near the mark.

such as it is, of the entries has been effected by a reduction of the duties from 5*s.* 9*d.* to 1*s.* and 2*s.* 6*d.* a gallon, it has been accompanied by a sacrifice of above 700,000*l.* a year of revenue. Were it practicable to lay a fair *ad valorem* duty on wine, its consumption might be promoted, and all the advantages of the present plan secured, without any such sacrifice. But, so long as the existing regulations are maintained, the consumers of the wines charged with the lowest duty will be benefited at the expense of the public, who must make good the loss of revenue which they occasion.*

Very little wine has been consumed by the labouring classes; and there are no grounds for thinking it will ever make much way with them. Beer and ale are cheaper, and in all respects better fitted for their use than the inferior wines to which they would be obliged to have recourse if they gave up their native beverage. But of this there is very little chance.

It is worthy of observation, that while French wines formerly paid, under the stipulations of the Methuen treaty, one-third higher duties than were paid by Spanish and Portuguese wines, they are now largely admitted at little more than a third part only of the duties that are paid on the latter. The duties on all descriptions of foreign wine were equalized in 1831; and it could hardly have been anticipated that we were so soon to set about renewing, in an opposite direction and under a new form, a system of favouritism of which the abolition had justly given universal satisfaction.

This awkward revival is a consequence of the adoption of the alcoholic test, which, in truth, is no test whatever of the value of wine, and affords no proper basis for the assessment of the duty. Lafitte and all the finer varieties of clarets, rarely contain more than 18 or 20 degrees of spirits, and are, therefore, admitted at the low duty of 1*s.* a gallon, this, also, being the case with other superior French wines. But almost all the wines of Spain and Portugal, though inferior in value to the best clarets, contain a much larger quantity of

* See Return in regard to the Duties on Wine in Appendix.

spirits, and are consequently subjected to the higher rates of duty.* A result of this sort could hardly, one would think, have been anticipated. Certainly, however, it shows the extreme inexpediency of the alcholic test; and the advantage that would result from preventing, if that be practicable, the importation of spirits under the name of wine, without resorting to a system which confounds the duties on the most opposite varieties of wine, and is, in most respects, as objectionable as can well be imagined. †

The history of other countries abounds with equally conclusive examples of the superior productiveness of moderate duties. In 1775 Turgot deducted a *half* from the customs and other duties chargeable on the fish sold in the Paris market; but, notwithstanding this reduction, the amount of the duties collected was not diminished, showing that the demand for fish had been doubled, by the inhabitants being allowed to supply themselves at a comparatively cheap rate.*

In 1813, when sugar imported into the French empire paid a duty of one franc sixty cents the *livre* or pound, the imports amounted to about fourteen millions of pounds, which, as France, and the countries then incorporated with her, contained about forty-two millions of inhabitants, gives the *third* part of a pound weight to each. In 1814 this exorbitant duty was reduced to about a *fifth* part, or to thirty cents the pound;

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* See, on the strength of wine, the Parl. Paper, No. 190, Sess. 1862.

† Messrs. Matthew Clark and Sons observe, in their circular of the 1st January, 1863:—"Another curious point, and well worth attention, in this, the third year of reduced duties, is that up to the present time, no new wine has been introduced with sufficient success, to justify the sanguine expectations, or confirm the arguments of the advocates of the reduction of the duty on wines. The large supply of pure red wines from Portugal, and from the Adriatic, where the wine was represented to be valueless, for want of a market, as well as the overwhelming supplies of pure wines from France, at prices that would force them into universal consumption, are all wanting."

‡ Say, "Traité d'Economie Politique," tome ii. p. 339. Lord Kames, in his "Sketches of the History of Man," states that these duties amounted to 48 per cent. *ad valorem*. Vol. i. p. 486. 4to. edit.

and though the population of France had then been reduced from forty-two to about twenty-eight millions, the average annual importations of 1814 and 1815 amounted to forty-four millions of pounds, being upwards of 1½ lb. to each individual, or about *five* times as much as the consumption had amounted to under the high duty. In consequence of this increase of consumption the low duty yielded nearly as large a revenue as the high duty.*

Ustariz gives a variety of details respecting the disastrous effects which certain taxes have had on industry in Spain, and the advantages resulting from the repeal and modification of others, some of which we have previously noticed. Among other instances, he refers to Valencia, which, though barren of grain and flocks, and not equal in extent to two-thirds of Arragon, paid a larger revenue to the royal treasury. This, he says, was owing to the comparatively flourishing state of commerce and manufactures in Valencia; and he then adds,—"This increase and improvement in manufactures and commerce is ascribed to the equitable and kind treatment the weavers receive in that province, and to his majesty's goodness in reducing the excessive taxes which were charged upon flesh meat and other provisions; and his taking off wholly that which was laid on bread in ancient times; as also the imposts known by the name of ancient duties and generalities. These duties were partly replaced by others, but in such a manner that they were rendered much lighter, the people in general eased, and the royal revenue improved." †

Down to 1849 the importation of cotton goods into Spain was prohibited. Inasmuch, however, as the prohibition could not be enforced, its effect was to substitute an illegal for a legal trade, and to give the smuggler a monopoly of the supply of foreign cottons. In 1849, however, a new

* "Richesse des Nations," par Garnier, v. p. 304. 2de éd.

† "Theory and Practice of Commerce," vol. ii. p. 310. Eng. Trans.

and more enlightened policy was adopted, and cottons were allowed to be imported on paying an *ad valorem* duty of 30 per cent. The results were most striking. The duties on imported cottons produced in 1850 about 12½ million reals, showing that the value of the imports had amounted to above 41,000,000 reals. And yet, despite this importation of woven fabrics, the imports of raw cotton increased from 258,860 cwts. in 1849 to 342,254 cwts. in 1850. Except the smuggler, all classes profited by the change. Government realised a considerable revenue; the consumers were supplied on better terms; the taste for cottons was diffused; and the home manufacture was increased.

The case of Ireland during the latter years of the revolutionary war with France affords evidence, which is of itself sufficient, were there none else to which to appeal, to demonstrate the impotency of taxation when carried beyond a certain extent to produce revenue. We have previously seen that the too great additions made to the duty on spirits in Ireland occasioned a serious diminution and not an increase of revenue; and similar results followed the excessive additions made to the customs duties on wines, tobacco, and other articles imported into that country. But without tiring the reader by entering into details, it is sufficient to direct his attention to the following account of the nett revenue of Ireland in 1807, 1817, &c.: —

REVENUE of IRELAND paid into the Exchequer in British Currency, excluding the trifling articles of Quit-rents and Fees, in

——	1807.	1817.	1818.	1819.	1820.	1821.
Customs - - -	1,976,961	1,483,805	1,635,470	1,514,259	1,202,380	1,437,636
Excise - - -	1,765,406	1,697,941	1,833,473	1,705,328	1,564,651	1,632,640
Assessed Taxes - -		442,708	342,615	230,150	264,570	308,223
Stamps - - -	564,424	520,266	509,039	482,469	407,403	400,827
Post-Office - - -	71,390	57,230	46,153	53,538	59,077	65,538
Total - -	4,378,241	4,191,950	4,366,750	4,035,744	3,498,081	3,844,981

But in the interval between 1807 and 1816 taxes were imposed in Ireland which it was estimated would produce as follows: —

	£
Taxes imposed in 1808 -	363,000
„ „ 1809 -	600,000
„ „ 1810 -	No budget.
„ „ 1811 -	338,000
„ „ 1812 -	229,000
„ „ 1813 -	595,000
„ „ 1814 -	521,000
„ „ 1815 -	730,000
	£3,376,000

Now, if we deduct from this sum taxes estimated to produce about 360,000*l.* a year remitted at the end of the war, it follows, had the estimates on which the taxes were imposed been good for anything, that the nett revenue of Ireland should have been about three millions greater in 1817 and the subsequent years than in 1807. But the previous account shows that instead of being increased, the revenue was less in 1817 than in 1807; and that the new taxes, which it was said would produce above 3,000,000*l.* a year, had not, in fact, produced a solitary sixpence. They diminished consumption, and threw the greater part of the supply of taxed articles into the hands of smugglers, but they were unable to divert a single farthing from the pockets of the people into the coffers of the Treasury.

Now, look at the other side of the picture: the duty on spirits, which amounted in 1817 to 5*s.* 7¼*d.*, was, in 1843, only 2*s.* 8*d.* per gallon; the assessed taxes, which produced, in 1817, 442,708*l.*, had been wholly repealed; the rates of postage had been reduced from (probably) about 4*d.* or 5*d.* to 1*d.*; and some important reductions had been made in the customs duties. And yet, despite these reductions, despite the efforts of Father Matthew, which materially affected the duty on spirits, and despite that mendicant agitation which

disgraced, distracted, and impoverished the country, the nett revenue of Ireland amounted in 1843 to 4,097,385*l.*! Can more be required to establish the superiority in every point of view of moderate over oppressive taxes?

It will, probably, be thought not a little singular that the revenue of Ireland has not suffered from the potato-rot of 1846–47, or from the subsequent emigration. On the contrary, her nett revenue amounted in 1850 to 4,257,685*l.*, being about 160,000*l.* greater than in 1843! And in 1861–62 it amounted to 6,777,667*l.*, of which the income tax produced only 740,500*l.* The truth is that Ireland has been largely benefited by the decrease of her population; and she would be still more benefited were another million or upwards deducted from the poorest portion of her existing population. So poor a peasantry as that of Ireland contribute but little to the revenue, while the rates required for their support lessen the means of others, and their cottages and petty holdings obstruct the proper occupancy and cultivation of the land.

CHAPTER XI.

INFLUENCE OF VARIATIONS IN THE VALUE OF MONEY ON TAXATION.

THE pressure of taxation is affected by variations in the value of money, increasing when its value rises, and diminishing when it falls.

Hume has observed, in his "Essay on Money," that "In every kingdom into which money begins to flow in greater abundance than formerly, everything takes a new face; labour and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention. But when gold and silver are diminishing, the

workman has not the same employment from the manufacturer and merchant, though he pays the same price for everything in the market. The farmer cannot dispose of his corn and cattle, though he must pay the same rent to the landlord. The poverty, beggary, and sloth that must ensue are easily foreseen."

Hume appears to have supposed that the stimulus he has so well described, which is given by an influx of money to industry, is occasioned by the additional money coming first into the hands of capitalists, and enabling them to extend their businesses and employ more workpeople. But though this would have some influence, the philosophical historian seems to have overlooked the mode in which an increase in the quantity and a fall in the value of money principally contribute to excite industry and enterprise. Such fall proportionally diminishes the many fixed money-payments that are borne by the industrial classes. The prices of commodities vary with variations in the value of money, while taxes, rents, mortgages and other pecuniary burdens continue stationary for longer or shorter periods. The latter are rated or specified in certain amounts of money; those to whom these are due being obliged to receive them in payment, though the value of money should have fallen 5, 10, or even 50 per cent. since the date of the contract or engagement in which the payments originate; while those by whom they are due are bound to pay them, however much the value of money may have risen.* Hence the powerful influence of variations in its value over the different classes of society. When it declines, the debtor portion, or those who have fixed money-payments to make, are proportionally benefited a the expense of the creditor portion, or those who have such

* In antiquity, when the weight and fineness of coins were liable to frequent changes, it was not unusual to stipulate that *valor monetæ considerandus atque inspiciendus est a tempore contractus, non autem a tempore solutionis.* But such stipulations are now unknown.

payments to receive, and conversely when it rises. Fund-holders, annuitants of all sorts, land-holders during the currency of the leases of their estates, mortgagers, the army and navy, &c., suffer according to the diminution in the value of money; for though their incomes and claims continue nominally the same, their value is really reduced, and they no longer have their former command over necessaries and conveniences. But while the farmer pays the same rent for his farm and the same taxes to government, he sells his produce for a price increased proportionally to the reduced value of money. And while manufacturers, merchants, and tradesmen pay the same duties on goods, the same port and market dues, the same tolls, the same rent for shops and warehouses, the same rate of interest for capital borrowed, and so on, they obtain increased prices for whatever they have to sell. In other words, the condition of these classes is improved at the expense of their landlords and creditors, and of annuitants, and other receivers of incomes which are either temporarily or permanently reduced through the fall in the value of money. The greater the fall the more advantageous for them, and conversely.

Now, as fixed or stationary payments include the interest of the public debt, as well as many of the outgoings of government which do not readily accommodate themselves to changes in the value of money, with the rents of farms and houses let on lease, or under equivalent agreements, feu duties, the interest of mortgages and other stationary loans, the payments to private annuitants and clergymen, the fees of lawyers, physicians, &c., it is obvious that, in a country like this, they must amount, in the aggregate to a vast sum. It sometimes, indeed, and not unfrequently happens, that individuals belong to both classes, or that they have fixed payments to receive as well as to make, and that, therefore, neither the gain to the one party, nor the loss to the other, from fluctuations in the value of money, is so great as might be at first supposed. Still, however, there is no room for

doubting that the greater proportion by far of fixed payments is made to the classes not engaged in business, or in industrial undertakings, by those who are. And hence the advantage which any considerable fall in the value of money confers on the latter, that is, on those whose well-being and that of the public is commonly supposed to be identical. Such fall, by lightening the burden of taxation and of all fixed charges, increases universally the productiveness of industry and the rate of profit. And it is hardly necessary to add, that this increased profit operates as a spur to production; that it quickens all the operations of trade, and occasions an increased demand for labour.

The opposite effects follow, of course, when, instead of falling, the currency becomes more valuable. Taxes and fixed charges being then augmented in an equal degree, the profits of those by whom they are principally borne are proportionally reduced; industry is depressed; and the situation of the productive classes changed for the worse.

Hence it is always indispensable, if we would form a fair estimate of the pressure of taxation at different periods, to ascertain, in the first place, whether money has been of the same value at the periods to be compared; and if not, how much it has varied. A large nominal amount of taxation may not, provided money have a low value, be a greater burden than a small nominal amount of taxation, where money has a high value.

In illustration of this statement we may observe, that at an average of three years ending with 1816, the depreciation of the currency as compared with gold, amounted to 20 per cent., having in 1814 exceeded 25 per cent. Now, as the average nett revenue of the United Kingdom amounted during the same period of three years to 68,536,521*l.* a year, it follows, allowing for the depreciation of the currency, that it did not then really exceed 54,829,217*l.* estimated in our present money. And it has been argued, that if to the advantages accruing to the productive portion of the community

during the latter years of the war, from the diminution of taxation occasioned by the depreciation, we add the advantages they derived from the diminution of rent, interest, and other fixed payments, it will be found that the burdens they had to bear at the period referred to were considerably less than those they had afterwards to sustain, notwithstanding the repeal of so many taxes.

But though the rise in the value of the currency subsequently to 1815 added materially to the burdens laid on the productive classes, it certainly did not do this to anything like the extent implied in this statement. Had the country made little progress after 1815, those who contended that the payments on account of taxes and fixed burdens in that year did not differ materially from those they had to make in 1825, would not have been very wide of the mark. But instead of being nearly stationary, the population, wealth, and productive capacities of the United Kingdom increased very greatly after 1816, or rather after 1818 and 1820; so that supposing the real weight of the public burdens and fixed charges to have varied but little after 1815, they must, from the greater field over which they were soon after spread, and the greater ability to bear them, have been proportionally less felt. The same amount of taxation that would entail great privations on an individual worth only 300*l.* a year would be comparatively little felt by him were his income increased to 400*l.* And we incline to think that the increase of the public income in the twelve or twenty years after the conclusion of the revolutionary war with France was in something like this proportion.

Although, however, there can be no doubt that a fall in the value of money, though injurious to large classes, is, on the whole, advantageous to a country, it must not be thence inferred that any honest or judicious statesman would be disposed to approve in any degree of an intentional reduction of its value. Money being the standard or measure of value, it is of the utmost importance that it should vary as little as

possible. Governments are bound to do all in their power to give effect to the legitimate contracts and engagements of individuals; and it would be gross injustice were they to attempt, by raising or lowering the value of money, to benefit certain classes at the expense of others. Whatever might be gained, on the one hand, by a voluntary depreciation of the currency would be more than lost, on the other, by the flagrant breach of faith by which it was accompanied. Public and private credit would, for a while, be destroyed; and a large amount of capital would be transferred to other countries as to places of security. It is needless to attempt to apologise for a measure of this sort by saying, that it is necessary to lighten the pressure of a taxation too great for the resources of the country. Were such really the case, the proper plan would be to make an equivalent deduction from the public debt; for this would accomplish the object in view without affecting the creditors of private individuals, and defrauding every one who had lent money or sold goods on credit of a portion of his just claims. "When it becomes necessary for a state to declare itself bankrupt, in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is always the measure which is both least dishonourable to the debtor, and least hurtful to the creditor. The honour of a state is surely very poorly provided for, when, in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through and at the same time so extremely pernicious."*

It has sometimes been alleged that the rise in the value of the currency in the interval between 1814, when the depreciation was greatest, and 1821, when it ceased, was in reality much greater than was indicated by the difference during that period between the values of paper and gold. Those who

* "Wealth of Nations," p. 423.

make this allegation contend that the value of gold was itself raised by the return to specie payments. But we doubt whether this opinion has any good foundation. The quantity of the precious metals distributed among the various nations of the earth is too vast to have been sensibly affected by the drain occasioned by the resumption of cash payments in this country; and it is probable that the facilities given for the employment of bills, and other substitutes for money, by the nearly simultaneous cessation of hostilities on the continent, more than countervailed the increased demand for specie in Great Britain. The remarkable fall that took place in the prices of corn and most other articles after the peace of 1815 has frequently been referred to as affording a conclusive proof of a general rise in the value of money. We believe, however, that it is impossible to specify a single article that has fallen in price since that epoch, of which the fall may not be satisfactorily accounted for by changes in the channels of its supply, or in the cost of its production, or both. It is to the increased facilities given to commercial intercourse, and the wonderful improvements and discoveries in the arts, and not to any increase in the value of gold, that we are really indebted for the reduction in the price of commodities since 1815.

In so far, indeed, as the prices of commodities in this country were raised by the depreciation of the currency during the latter years of the war, in the same degree were they reduced when the currency recovered its value, and cash payments were resumed. But there are no good grounds for thinking that the measure had any effect beyond what is now stated, or that it sensibly affected the value of gold, or raised the standard of the currency.

We have elsewhere given a pretty full account of the circumstances which led to the suspension of cash payments by the Bank of England in 1797.* At present it is only neces-

* "Wealth of Nations," Note on Money, p. 496.

sary to observe that they were wholly of an accidental character; and that though eventually the suspension led to an over-issue of bank paper, and the depreciation of the currency, it was not introduced because it was supposed or imagined it would have any such results. The error (and it produced the most mischievous consequences) consisted in not reverting to specie payments immediately after the crisis of 1797 had passed away. Seeing, however, that the standard had been virtually abandoned in 1797, and that the currency had been depreciated from 1800 down to 1819, and especially from 1809 to 1816, it has been sometimes regretted that the standard was not diminished in 1815, or 1816, by raising the mint price of gold from 3*l.* 17*s.* 10½*d.* to 4*l.* 10*s.*, or 4*l.* 15*s.* an ounce. The truth, however, is, that the restoration of the value of the currency was in a great degree accidental; and that no proper opportunity was given for inquiring whether, on the whole, it would be better to continue the depreciation, or to revert to the old standard. The large importations of foreign corn, subsequent to the opening of the Dutch ports in 1814, by occasioning a heavy fall in its price, produced an unprecedented degree of distress, first among the agriculturists, and subsequently among the country bankers. In 1814, 1815, and 1816 no fewer than 240 private banking companies either became altogether bankrupt or at least stopped payments. And the reduction that was thus occasioned in the quantity of bank paper in circulation raised its value so rapidly that in October 1816 the depreciation was reduced to 1*l.* 8*s.* 7*d.* per cent. In 1817 and 1818 the average depreciation of paper did not exceed 2*l.* 13*s.* 2*d.* per cent. In the early part of 1819 it rose to about 6*l.* per cent.; but it very soon declined, and in 1820 and 1821 paper was nearly on a level with gold.

It will, therefore, be observed that when the resolution to revert to specie payments at the old standard was taken in 1819, the currency had, owing to circumstances beyond the reach of legislative control, been for three years nearly at par. Rents, as well as prices, had been generally reduced; a vast

number of annuity bonds had been cancelled; and much of the revulsion and mischief which every sudden increase in the value of money is sure to occasion had been got over. Had the question in regard to the restoration of the standard been agitated between 1810 and 1815, a different decision might, perhaps, have been come to. But when the matter was decided the currency had nearly recovered its value; so that the object of Parliament was not merely to restore the old standard, which it had pledged itself to do, but also to shut the door against a fresh depreciation, and to prevent the value of paper, which for about three years had been nearly on a par with gold, from being again degraded.

But even if it could have been shown that the Act of 1819 (Sir Robert Peel's Act) was inexpedient at the time when it was passed, that would have added little or nothing to the plea of those who continued to clamour for its repeal or modification. All the objections which it was possible to make to the degradation of the standard in 1819, applied with immeasurably greater force to the schemes for degrading it in 1830 and 1840; while, on the other hand, all the arguments that could have been urged in favour of the measure in 1819 were then comparatively worthless. The restored standard had been maintained for a dozen or twenty years, and ninety-nine out of every hundred contracts had been entered into with reference to it. To tamper with it then would have been unmixed folly. We should have again witnessed the most pernicious subversion of private fortunes. Debtors would have been enriched at the expense of their creditors; the ignorant and unwary would have been the prey of the cunning and crafty; and capitalists would have been eager to leave a country where, owing to the bad faith of government, it was impossible to make loans except at the risk of getting repaid in a depreciated currency. "Whatever, therefore," to avail ourselves of the just and forcible expressions of Mr. Harris, "may be the fate of future times, and whatever the exigencies of affairs may require, it is to be hoped that that most awkward, clandestine, and most direful method of cancelling debts by

debasing the standard of money, will be the last that shall be thought of."*

It is difficult to say whether the passing of the Act of 1819 for the re-establishment of the currency on its old footing, or the determination with which, in despite of the clamour against it, he maintained that Act in its integrity, reflects most credit on the memory of Sir Robert Peel.

When the preceding edition of this work was published, more than 10 years ago, the supplies of gold from Siberia and California had attained to a high elevation, and the Australian gold fields, then recently discovered, were beginning to astonish the world by their extraordinary productiveness. At that time it seemed, if the supplies from these different sources should continue to flow into the market for a few years with anything like the same copiousness, that a depreciation could hardly fail to take place in the value of the precious metals, more especially in that of gold. But it is now evident that in coming to this conclusion, we had not formed a sufficiently enlarged idea of the vast extent to which these metals may be absorbed without their value being affected. The supplies have, no doubt, considerably declined during the last half-dozen years, though they are still very large. And yet, notwithstanding the lengthened period during which they have been thrown upon the markets of the world, there is no evidence to show that gold has been, in the interval, in any degree depreciated. Whether it will be different in time to come, should its supply continue at or about its present amount, it is impossible to say. The field over which the precious metals are spread is so immense, and the circumstances that may conspire to increase or lessen the demand for them are so innumerable, that no conclusion can be come to in regard to this matter on which much reliance can be safely placed. There are, however, no grounds

* "Harris on Money and Coins," part ii. p. 108.

for apprehending anything like a rapid or considerable fall in the value of gold or silver. If any decline take place, which experience only can determine, it will, no doubt, be slow and gradual. And if so, it will be advantageous rather than otherwise.*

Changes in the value of money, after taxes have been laid on commodities, not only vary the pressure of taxation, but vary, also, the profits of those engaged in different businesses, and the distribution of capital and industry. Were no taxes laid on commodities, when any alteration took place in the value of money they would all sustain an equal rise or an equal fall. So that if the value of bread, or any other article, varied from this cause 5, or 10, or 20 per cent., all other articles would vary to the same extent, and in the same way. But this is not the case when certain commodities are taxed: for, with respect to a taxed commodity, it is clear, inasmuch as the nominal amount of the tax continues the same, that only that portion of its price which is independent of the tax will vary with variations in the value of money. Suppose, by way of illustration, that a quantity of butchers' meat and a quantity of tea sell for the same sum, or for 100*l.*; and suppose, further, that money falls 10 per cent. in value; it is evident that the price of butchers' meat, which is not affected by any tax, will immediately rise to 110*l.*; but as, probably, half the price of tea consists of a tax, the nominal magnitude of which is not affected by the change in the value of money, the depreciation will affect only that portion of the price of tea which is over and above the tax; so that, while the butchers' meat rises to 110*l.*, tea will only rise to 105*l.*

A rise in the value of the currency would have a precisely

* The reader will find a good deal of information with respect to the supply, distribution, and consumption of gold and silver, in articles on the PRECIOUS METALS, by the author of this work, in the 8th edition of the Ency. Brittanica, and in the Commercial Dictionary.

opposite effect. The money price of an untaxed article would then be reduced proportionally to the whole increase in the value of money; whereas that part only of the price of taxed articles which is exclusive of the tax would fall when money rose in value.

In these cases a change is made, not only in the pressure of taxation generally, but in its particular pressure on certain classes of producers; and a change being, in consequence, effected in their profits, capital is withdrawn from certain employments to be vested in others. Suppose, to exemplify this statement, that profits are at the same, or near the same level, taking all things into account, in different businesses; if, on the one hand, the value of money fall, the burden of taxation being proportionally diminished, the profits of all who are engaged in the production of taxed commodities will be evidently raised above the common level; while, on the other hand, if the value of money rise, the profits of those who produce taxed commodities will be as evidently sunk below that level. It consequently follows that all fluctuations in the value of money, whatever may be their direction, if they be at all considerable, necessarily occasion at the time a good deal of disturbance in commercial plans and speculations, and a stagnation in some businesses with a corresponding excitement in others. But the distinguishing circumstance is that, in the end, when money rises in value, the profits of the industrial classes are diminished, and that when it falls they are increased. Hence the advantage, in a national point of view, when it is brought about by natural causes, or by an increased facility of production, of a fall in the value of the precious metals.

But, as already seen, no advantage of this sort can be derived through the interference of the Legislature. The rights and properties of all classes of its subjects being alike entitled to protection, no change of this description will ever originate with, or be countenanced by, a just government. However disguised, it must, in fact, be a robbery of one class

or other. And it is not merely the duty of governments resolutely to oppose all attempts to change the value of money but it also is the bounden duty of those by whom the issue of paper, or of other substitutes for coin, is authorized or tolerated, to take effectual means for maintaining the value of such paper or other articles constantly on a par with that of gold. No supposed advantage should ever tempt governments to palter with this principle, or to countenance any tampering, whether direct or indirect, with the currency. There is never any real distinction between what is just and what is useful. Nor is the use of light weights more disgraceful to an individual than the use of depreciated coin or paper is to a government.

CHAPTER XII.

REAL AND COMPARATIVE WEIGHT AND INFLUENCE OF TAXATION IN DIFFERENT COUNTRIES.

It would seem, from the silence that has prevailed on the subject, as if it had been all but invariably taken for granted that wherever publicity is given to financial details, the exact amount of the taxation borne by a country may be learned by a mere inspection of the public accounts. No doubt, however, this is a mistake, for, a little inquiry would have sufficed to show that there are few things more difficult to learn than the exact amount of the public burdens borne by any considerable country. In making this statement we do not refer to any want of clearness or comprehensiveness in the public accounts. However distinctly they may be made out, it will, we apprehend, be found that they are far from supplying means by which to form a just or fair estimate of the magnitude of the national burdens.

The gross revenue of the United Kingdom for public pur-

poses, raised by taxation, including crown lands, amounted, in the year ended 31st March 1862, to 69,674,479*l.* And it may be supposed that if we add to this the taxation for local purposes (about 18,000,000*l.*), the sum will be the amount of the national burdens. This, however, would be an erroneous conclusion; and we shall endeavour briefly to state why it would be so.

Clearly to understand this subject, it must be borne in mind that society consists of two great classes—those who subsist wholly or principally on incomes derived from their own labour, property, or private resources; and those who subsist wholly or in part on incomes derived from the state or from taxes. It is true that these two classes are mixed up in various ways — individuals deriving their principal revenues from private sources being sometimes, also, sharers in the produce of taxation, and conversely. But supposing these discrepancies on the one side and the other to be balanced or adjusted, it is plain that whatever may be the nett revenue, or income free of all sorts of charges, which public functionaries of every description, and public creditors, derive from the state, it must be wholly paid by the other class, and will be identical (supposing the revenue and expenditure equal) with the amount of taxation.

It is easy, however, to see that the amount of taxation estimated in this way will be materially less than its amount as given in the official accounts. The latter, in fact, make all payments and receipts greater than they really are. The interest and other charges on the public debt amount at present to about 25,500,000*l.* a year. But not less, perhaps, than a fifth part of this sum is drawn back by means of taxes, so that the sum really paid to the public creditor may not exceed 20,400,000*l.*; and so in other cases. A public functionary, for example, gets a salary of 1,000*l.* a year; but if one-fifth part of this sum be drawn back by taxes, his real salary or cost to the country is only 800*l.* Were all taxes

superseded by an income-tax, the operose practice which is necessary at present of paying government annuitants and persons in the public service certain sums, and then drawing back portions of these sums by taxes on consumption, might be avoided, and their dividends or salaries proportionally reduced. And were such the case the public revenue and expenditure would each appear to be reduced by the amount of the deductions so made.

We may observe, in further illustration of this statement, that the cost of keeping up a regiment (and the same principle holds as to all other public establishments) is to be measured by the cost of the various articles, supposing them to be exempted from duty, required for the supply of the officers and soldiers. But these articles being used by those who are not public servants, it is necessary to subject them to duties; and, therefore, the pay of the troops is increased, so that they may be able to provide themselves with the necessary quantity of taxed articles. It is obvious, however, that this increase of pay entails no sacrifice on government; for, being intercepted by the duties, it finds its way back to the coffers of the Treasury, and is again reissued to be again restored to them.

Hence it is indispensable, in attempting to form anything like a fair estimate of the national burdens, to deduct from their apparent amount all that portion of the taxes which is paid by public functionaries and by those subsisting on the dividends or interest of money lent to government. The balance of taxation remaining after this sum is deducted forms the burden really borne by the public. If A owe B on one account 100*l.*, and B owe A on another 20*l.* or 30*l.*, it is plain that the sum really due by A to B amounts to only 70*l.* or 80*l.*; and this is precisely the case with the public. The state owes certain sums to certain parties; but these parties have, by means of taxes, to pay certain sums to the state; so that the sum really paid by the latter amounts only to the balance or difference between the two.

It would, however, be exceedingly difficult, or rather, perhaps, impracticable, to make anything like a fair estimate of what the balance in question may amount to in this or any other country. Much obviously depends on the nature of taxation. In countries like England, where by far the largest portion of the revenue is derived from taxes on consumption, the sums received from the public functionaries, creditors, and dependants on government, will, of course, be very much larger than in countries where the public revenue is mainly derived from land-taxes, or such like sources.

The inexpediency of attempting to raise any considerable revenue by means of income-taxes has been sufficiently shown in previous parts of this work. But, without adverting to its other effects, we may observe that in the event of the present income-tax being increased, and corresponding abatements made from the duties on tea, sugar, tobacco, and such like articles, it is plain (unless a reduction were simultaneously made in their pay) that the condition of soldiers, sailors, and all government servants with salaries of less than 100*l.* a year, would be materially improved; for if their pay were not diminished, it would buy a greater quantity of the articles on which it has been expended, in consequence of their falling in price from the reduction or repeal of the duties. And, for the same reason, such a measure would be highly advantageous to the large body of funded proprietors who have incomes under 100*l.* But it would not be advantageous to any one else. It would lessen the means of capitalists to employ labour, and increase the temptation to carry capital abroad. And a measure productive of such results would, in the end, be most injurious to the labouring classes.

Taking the taxation of the United Kingdom for public purposes, as it now stands, we shall not, perhaps, be far wrong if we estimate its real magnitude at about 20 per cent. under its nominal amount given in the official accounts. And supposing the latter to average seventy millions, the real burden will, on this hypothesis, be about 56,000,000*l.*

The previous statements show the kind of deductions which it is necessary to make from the budget of every country, to arrive at the true amount of the burdens it has to sustain. And as these deductions vary in different countries with the varying nature of their taxes, and other circumstances, which do not admit of being precisely determined, it follows that we can have no really accurate information respecting the absolute amount of the taxation to which they are subject. But supposing this to be known, or to be approximated to with sufficient precision for practical purposes, there would still be extreme difficulty in determining the degree in which different countries are taxed, as compared with their ability to bear taxes.

The amount of population has sometimes been supposed to be an index of capacity to support taxes. But were this the case, it would follow that Ireland, which had, in 1861, a population of 5,564,543, could afford to pay nearly twice the taxes paid by Scotland, which had a population of only 3,062,294. So far, however, from this being the case, the revenue of Ireland hardly equals that of Scotland; and yet there is no reason for thinking that the pressure of taxation is felt more severely in the latter than in the former.

Others have suggested that the amount of the capital belonging to different countries may be taken as a test by which to measure the comparative weight of their burdens. Its amount cannot, however, be determined with anything like even the rudest approximation to accuracy; and though it could, its adoption as a standard by which to determine such a point would lead to the most erroneous results, it being plain that a small capital where profits are high may be more productive than a large one where they are low. The market-rate of interest, which is generally proportioned to the customary rate of profit, is usually about twice as great in the United States as in England. *One* million of capital employed in America, must, therefore, be about as productive, that is, it must yield about as large an annual income, as *two*

millions employed in this country. And hence, if taxation as compared with the amount of capital, were the same in both countries, it would, as compared with the profits or revenue derived from that capital, be about twice as heavy in England as in America.

Taxes being a portion of the incomes of individuals transferred to the State, it has been said that, if we ascertain the aggregate income of any two or more countries, and the number of their inhabitants, we may thence deduce the average incomes of individuals in each. And that it will be easy, by comparing the latter with the amount of the taxes falling on individuals, to learn the sum, and the proportion of their incomes, which they have respectively to contribute to the public revenue. This criterion is, however, no better than the others. It is quite impracticable to form anything like a correct estimate of the total or aggregate income of any extensive country; and though this difficulty were got over, and the income, population, and taxation of any two countries were known, it might be all but impossible to say which was most, and which was least heavily taxed. The same amount of income yields a very different supply of necessaries and conveniences in different countries. And, supposing other things to be equal, the well-being of individuals depends, not on the amount of their money-incomes, but on the amount of necessaries and conveniences for which these incomes will exchange. Hence, supposing the average incomes of the people of two countries amount, before their taxes are paid, to 20*l.* a head; and that the taxes payable in the one amount to 2*l.*, and in the other to 3*l.* a head; we should not be able to say, without further examination, whether taxation was really heavier in the latter than in the former. For its pressure is to be measured not so much by what it takes, as by what it leaves; and if the 17*l.* of income remaining to the inhabitants of the one gave them a larger command over necessaries and conveniences than the 18*l.* remaining to those of the other, we apprehend it would

be correct to say that of the two they were the least heavily taxed.

Experience shows, speaking generally, that the inhabitants of cold or temperate, and not very fertile countries, are more laborious than the inhabitants of countries which are, comparatively hot and fruitful. In the latter the wants of individuals are more easily supplied; and the motives to industry being fewer or less urgent, it is prosecuted with less ardour. But if the motives to industry were strengthened in such countries by an increase of taxation, it could not, if kept within reasonable bounds, sensibly deteriorate, while it might, and most probably would, materially improve the condition of the population. Thus, if it were possible, by any system of training, to make the inhabitants of Italy nearly as industrious as the English, they might, it is obvious, afford to pay a much larger share of the produce of their labour in taxes, their necessities, owing to the mildness of the climate, being so much more limited.

The tastes or fashions, as well as the wants of people, have also a great deal to do in determining their capacity to bear taxes. Where a taste for holidays, shows, processions, and the *dolce far niente*, is widely diffused, the people are generally deficient in industry, and having little surplus produce to dispose of, can contribute but little to the treasury. But where, on the other hand, they care little for holiday pastimes, and prefer regaling themselves with beer, spirits, or such like stimulants, government may, by taxing these, raise a large sum in the least objectionable way. The Neapolitan lazzaroni contribute nothing, whereas the English gin-drinkers and tobacco-smokers contribute a great deal to the revenue. The laziness of the former unfits them for any useful purpose. But the vices, or the tastes, of the latter, however injurious to themselves, conduce to the public advantage. We cannot change them or root them out, but we do what is better, we tax them. It is obvious, indeed, were the prevailing taste of our people to undergo any material change, and the consumption of beer, spirits, and

tobacco to be gradually abandoned, it might be difficult to supply the deficiency it would occasion in the revenue without resorting to direct taxes of a very onerous description. It is doubtful, too, whether the population would gain anything by merely lessening their consumption of luxuries. No doubt if they lessened their consumption of gin and tobacco that they might improve their houses, their dress, or their food, or increase their deposits in the savings banks, they would gain immensely by the change. In such case they would substitute an advantageous for a pernicious or questionable taste. But without some such commutation, and if they restricted their expenditure upon luxuries, that they might indulge in laziness, shows, or processions, their position would certainly be changed for the worse. A population which consumes but few luxuries is always in a very perilous situation. Being confined to necessaries, it can make few or no retrenchments in bad years, so that the poor are then driven in crowds to the workhouse. But a population which is habitually supplied with luxuries can, by relinquishing or diminishing their use, provide a resource in such years, and can withstand their pressure with comparatively little difficulty. Those, therefore, who inveigh against the luxury and dissipation of the lower classes, take generally a narrow and prejudiced view of the subject. Though their expenditure be, in very many cases, not a little questionable, still it is better that they should drink gin to excess and smoke tobacco than that they should lose these tastes without acquiring others in their stead. At present they contribute largely to the public revenue, and they have besides room to retrench in periods of adversity; whereas those whose consumption is limited to necessaries, contribute little or nothing to the wants of the public, and in unfavourable seasons must either starve or live on alms.

It has sometimes been said that the influence of the taxation of different countries may be fairly estimated by contrasting their industry and the condition of their inhabitants.

But these depend on many things besides taxation, on the security of property and the freedom of industry, the administration of justice, the intelligence, the religion and character of the people, and a thousand other circumstances. A small amount of taxes, if they be imposed in an arbitrary and capricious manner, like the *taille* in France, may be incomparably more injurious than a far larger amount raised by reasonable duties on expenditure. But if we compare two contiguous countries placed under nearly the same physical circumstances, and occupied by an industrious population, and find the condition of the people in the one to be decidedly preferable to their condition in the other, it is all but certain that the cause of the discrepancy will be found in some difference in their economical policy.

"I know no better way," says Smollett, in his Travels, "of estimating the strength, than by examining the face of the country, and observing the appearance of the common people, who constitute the bulk of every nation. When I, therefore, see the country of England smiling with cultivation; the grounds exhibiting all the perfection of agriculture, parcelled out into beautiful inclosures, corn-fields, hay and pasture, woodland and common; when I see her meadows well stocked with black cattle; her downs covered with sheep; when I view her teams of horses and oxen, large and strong, fat and sleek; when I see her farm-houses the habitations of plenty, cleanliness, and convenience; and her peasants well fed, well lodged, well clothed, tall and stout, hale and jolly; I cannot help concluding that the people are well able to bear those impositions which the public necessities have rendered necessary. On the other hand, when I perceive such signs of poverty, misery, and dirt, among the commonalty of France; their unfenced fields dug up in despair, without the intervention of meadow or fallow ground, without cattle to furnish manure, without horses to execute the plans of agriculture; their farm-houses mean, their furniture wretched, their apparel beggarly; themselves and their beasts the images of famine;

I cannot help thinking they groan under oppression, either from their landlords, or their government, probably from both."*

This was a perfectly just conclusion. But, as already seen, the taxation of France, previously to the Revolution of 1789, was not oppressive from its amount, but from the partial and unjust principles on which it was imposed. Its inequality made it a scourge. And combined with political and legal abuses it gave birth to that Revolution, the advent of which Smollett has not obscurely shadowed forth in the remarkable letter to which we have now referred.

The facility with which capital and skilled labour may be transferred from one country to another, is an important consideration in estimating the influence of taxation. A rich and industrious people, provided they were surrounded by Bishop Berkeley's wall of brass, might permanently support a comparatively heavy load of taxes without a murmur. But in the actual state of the world, with a facility of intercourse between different countries greater than that which formerly existed between contiguous provinces of the same country, the unequal magnitude of taxation may lead to important practical consequences. For though the taxes a people have to sustain should not really, when compared with their ability to bear them, be so heavy as those borne by their neighbours, yet if their absolute amount be materially greater, capital and skilled labour will gradually find their way to the latter. It must not, therefore, be supposed that because taxation bears in two or more countries the same proportion to the wealth or ability of the contributors, that it will have the same influence; for, if the rates of duty, or the number of duties, be greater in one than in others, individuals in the higher taxed country will see that if they emi-

* Smollett's "Travels," ii 197. ed. 1766.

grate to the others, and still more if they can contrive to carry their capital or property along with them, they will escape a large portion of the taxes they have at present to pay; for they will in such case have the fortunes of a rich with the taxation of a poor country. It is true that a great deal always depends, in cases of this sort, on the condition of the country where taxation is comparatively low; on the temptations which in other respects it holds out to residence; on its language; the nature and tone of its society; the presumed stability of its government; its proximity, and an endless variety of considerations. One country with comparatively low taxes may be otherwise such as to deter either foreigners or foreign capital from seeking a residence or an investment in it; while another may have so many attractions of a different kind that a little difference in respect of taxation might occasion a great influx of strangers and of wealth.

The instability of the political systems established in France since the revolution, and the bad faith of the Americans, have contributed to hinder the efflux of capital from this country. Were the same confidence placed by capitalists in the permanence of the government of France, that is placed in the permanence of our own system, there can be little doubt that a much greater amount of British capital would find its way to the former; that funded property in France would bear nearly the same price that it bears in England; and that the manufactures of Rouen and the trade of Havre would be more extensive. But any feeling of insecurity is a most formidable obstacle to the investment of capital, and is more than sufficient to countervail a host of advantages. This is strikingly evinced in the instance of the United States. The uncertainty that attached to most sorts of public investments in the Union, even before the present civil war, from the badness of the banking system, and the want of principle manifested by several of the subordinate legislatures, checked the transfer of capital from England to America, notwithstanding the high rate of profit it realised in

the States, and the identity of language, and other circumstances calculated to draw it to them.

But these, however powerful in their operation, are but contingent and accidental circumstances; and, *cæteris paribus*, it is quite as natural that capital should leave a country where profits are low to seek employment in one where they are high, as that water should flow from a high to a low level. And though local and peculiar circumstances may countervail for a longer or a shorter period the influence of a low rate of profit in sending capital abroad, that influence always exists, and is sure whenever an opportunity offers, to make itself felt.

It has been fully shown in previous parts of this work, that well selected taxes, if they be not carried to an unreasonable extent, are usually defrayed, either wholly or in part, by an increase of industry and economy. Hence, whatever may be the portion of the produce or earnings of the industrial classes taken from them as taxes, it is always a matter of doubt whether the portion remaining to be divided between the capitalists and labourers is less or greater than it would have been had taxation been unknown. On the whole, however, there seems to be little or no question, looking at the very great improvement that has almost everywhere taken place in the condition of all classes, that the influence of taxation in stimulating industry and economy has more than sufficed to replace the sums which it has taken for the service of the public. And such being the case, it may be presumed, as formerly stated, that a sudden and extensive reduction of taxation, were it practicable, would materially affect the industry of the labouring poor. But the character and influence of the change would be, in great measure, determined by their previous habits. And it is sufficiently plain that if these had been of a questionable description, if, for example, they had been accustomed to indulge in gin and tobacco, a reduction of taxation would be of little or no advantage to them. If indeed, as is most

likely, it increased their consumption of these articles it would be injurious rather than otherwise. It is not, in fact, by duties on such articles, but by too heavy duties on necessaries, and still more by duties on property and income, or both, that industry is injuriously affected. And though the condition of those engaged in industrial undertakings in a country subject to such taxes may not be worse than when it was less heavily taxed, and may even be very materially improved, every one sees that it would be still better were taxation reduced. The increased ability to bear the burden is forgotten, and the attention is fixed on the burden itself. Its influence, and the inconveniences thence arising are exaggerated; and all classes become desirous to escape its pressure, or to throw it on others.

It is also true that the increased industry and invention which may at the time more than neutralise an increase of taxation, is apt at a future period to be exerted under less advantageous circumstances. The improved processes, and more economical methods of carrying on industrial undertakings, occasioned by an increase of taxation, gradually make their way to other countries where the burdens falling on the industrious classes are less heavy; and while they improve the condition of those among whom they are thus introduced, they of course enable them to become more formidable antagonists of the more highly taxed producers in the markets common to both. The temptation to convey away capital and skilled labour from countries subjected to taxes on property and necessaries is thus also progressively augmented, so that the fair inference seems to be that such taxes, though they may for a while stimulate industry and invention in the countries subject to their influence, may not improbably in the end occasion their decline.

The case of Holland affords a striking confirmation of the truth of what has now been stated. Notwithstanding the laudable economy of her rulers, the vast expense the republic incurred in her struggle to emancipate herself from the blind

and brutal despotism of Old Spain, and in her contests with Cromwell, Charles II., and Louis XIV., led to the contraction of an immense public debt, the interest and other charges on which, with the current expenses of the government, obliged her to lay heavy taxes on the most indispensable necessaries. Among others, high duties were laid on foreign corn when imported, on flour and meal when ground at the mill, and on bread when it came from the oven. Taxation affected every source of production and every channel of expenditure. So oppressive did it become, that it was supposed to double the price of bread consumed in the towns; and it was a common saying in Amsterdam, that every dish of fish brought to table was paid for once to the fisherman and six times to the State! For awhile, however, or during their increase, and for some considerable time thereafter, these enormous taxes appear to have had little or no influence in retarding the progress of the republic. Her commerce, fisheries, and manufactures continued to increase down to the invasion of her territories by Louis XIV. in 1672. But from this epoch, or perhaps a little previously, their pernicious operation began gradually to become more and more obvious. And subsequently to the Treaty of Utrecht, in 1713, it became a subject of frequent discussion, and engaged the serious attention of her principal merchants and statesmen. Wages having been raised so as to enable the labourers to subsist, the weight of taxation fell principally on the capitalists. Profits being in consequence reduced below their level in the surrounding countries, the United Provinces gradually lost their ascendancy; their fisheries and manufactures were undermined; and their capitalists chose in the end rather to transfer their stocks to the foreigner than to employ them at home. The well-informed author of the "Richesse de la Hollande," says in reference to this subject, "*L'augmentation successive des impôts, que les payements des intérêts et les remboursements ont rendu indispensables, a détruit une grande partie de l'industrie, a diminué le commerce, a*

diminué ou fort altéré l'état florissant où étoit autrefois la population, en resserrant chez le peuple les moyens de subsistence." * The same distinguished authority tells us in another place, that in 1778 the Hollanders had about 1,500,000,000 livres (62,000,000*l.* sterling) in the public funds of France and England. And if any further proof of what has now been stated should be required, we might refer to the interesting "Memoir on the Means of Amending and Redressing the Commerce of the Republic," drawn up from information communicated by the best informed merchants, and published by order of the Stadtholder, William IV., Prince of Orange, in 1751. The various causes that originally promoted, and which subsequently depressed the trade and industry of Holland, are skilfully developed in this Memoir. And its authors place "At the head of all the causes that have co-operated to the prejudice and discouragement of trade, the oppressive taxes by which, under different denominations, it has been burdened. It can only be attributed to these taxes, that the trade of this country has been diverted out of its channel, and transferred to our neighbours; and that it must daily be still more and more alienated and shut out from us, unless the progress thereof be stopped by some quick and effectual remedy. Nor is it difficult to see from these contemplations on the state of our trade, that the same can be effected by no other means than a diminution of all duties."†

But, as every one knows, this "quick and effectual remedy" was not applied. And though the prudence and economy of the Dutch, and the possession of Java, have enabled them to preserve a large amount of wealth with a respectable share of the commerce of the world, their pecuniary and mercantile preponderance are now matters of rather remote history. Notwithstanding their partial bankruptcies,

* "Richesse de la Hollande," 4to. ed., ii. 179.

† This memoir has been included in the volume of "Scarce and Select Tracts on Commerce," reprinted by Lord Overstone.

the Dutch continue to be burdened with an amount of debt and taxes that would crush any less industrious and frugal people.

It would, however, be unphilosophical to conclude, because such has been the pernicious influence of the too great increase of debts and objectionable taxes in Holland, that such also would be their influence in England and elsewhere. The fate of nations depends on a vast variety of contingent and accidental circumstances, which it is, for the most part, impossible to estimate with any degree of precision, or even to foresee. These circumstances may, on the one hand, by increasing the productive capacities, the commerce and riches of a country, enable her to support a heavy load of taxes with comparatively little difficulty; or they may, on the other hand, have a directly opposite effect, and by crippling her means and resources, proportionally increase the severity of their pressure. Hence the folly of laying much stress on theoretical conclusions in regard to the future influence of taxation over the fortunes of any great country. The discovery of improved processes and new inventions in the arts, changes in the channels of commerce, and in the value of money, the overthrow of old and the establishment of new forms of government, the occurrence of wars, and a thousand other events which it is impossible to conjecture, may vastly increase or proportionally diminish the power of countries to bear taxes, at the same time that they may add to or lessen their magnitude.

Whatever may be the fate of a country subject to a high rate of taxation, it seems impossible to doubt that it operates as a clog on her progress; and that *cæteris paribus* it is a source of impoverishment and weakness. We have seen the extreme difficulty of forming anything like a correct estimate of the comparative pressure of taxation in different countries; but of its magnitude in England there can be no doubt. It has been sufficiently shown in the course of this chapter that the real amount of our public burdens (70,000,000*l.*—20 per

cent.) may be taken at about fifty-six millions. Now, as the rental of the whole landed property of the United Kingdom does not, probably, exceed 58,000,000*l.* or 60,000,000*l.*, it follows, that though Government were proprietors of every acre of land in the two islands, the revenue thence arising would be little more than sufficient to meet the real outgoings of the public; and would be quite insufficient to supply the present nominal expenditure.

It is, perhaps, unnecessary to say more in illustration of the magnitude of our taxation. We may, however, shortly compare it with the cotton manufacture as it existed two years ago. Everybody is aware of the extent and importance of the latter. The great towns of Manchester, Glasgow, Bolton, Oldham, Preston, Blackburn, Bury, and a host of others, have been principally dependent on this great branch of industry But the total annual value of its produce in woven fabrics and yarn, including the raw material, could not with any show of probability be estimated at above 54,000,000*l.* or 55,000,000*l.* a year, so that it is obvious that though the entire produce of the cotton manufacture, in its most flourishing period, had been wholly appropriated by Government, it would hardly have sufficed to defray the nett public expenditure, independent of the large sum required for local purposes! *

* The calamity that has overtaken this great department of industry could not have been foreseen. The raw material on which it is founded being derived from foreigners, with whom we might be involved in disputes, its situation could not, indeed, be otherwise than hazardous. But none could have anticipated that the imports of cotton from America were to be cut off by the outbreak of a civil war waged with unparalleled violence and atrocity. This wretched contest will not, however, be without some compensating advantages. It is doubtful whether the cotton manufacture will ever fully recover from the shock it has received; but it is by no means clear, supposing such to be the case, that the circumstance is to be regretted. Branches of industry which depend in so great a degree on the supplies and demands of foreigners must necessarily be insecure, and it is better that they should be confined within moderate limits.

In a political point of view the late events in America are pregnant with instruction. The system of low or universal suffrage, of allowing the repre-

Though moderate in the extreme compared with most of those that have been put forth on this subject, these statements are sufficient to show that our taxation abstracts a large portion of the produce of the land and labour of the country. Within these few years, however, it was more burdensome and oppressive than at present from the operation of duties and prohibitions, imposed more in the view of protecting certain classes or interests than of raising revenue. The deleterious operation of the corn laws, though much mitigated previously to their abolition in 1846–49, was still very considerable. And this, also, was the case with the late sugar-duties, the timber-duties, the prohibition of foreign cattle and provisions, and so forth. The repeal of some of these regulations and duties, and the placing of others on a fair and rational footing, are measures that have been highly advantageous to the productive classes generally, and more especially to the labourers. It is indifferent to the latter, at least in the first instance, whether their wages be increased, or the price of the articles on which they are mostly expended be reduced. Such, however, is not the case with their employers, to whom an increase of wages is not unfrequently injurious. But a fall of prices resulting from improved methods of production, from the opening of new markets, or from the repeal of oppressive taxes or restrictions, though it may sometimes, perhaps, occasion a little temporary

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sentatives of the nation to be chosen by a numerical majority, including the lowest classes, could not have been anywhere tried under such favourable circumstances as in the United States, and yet the result has been most deplorable. It has made the mob paramount, thrown the government into the most incompetent hands, and filled the whole country with jobbing and abuses of all sorts. Many of those best acquainted with the people think the crisis will terminate in a military despotism. But whether that be so or not the experience of the United States is a warning to all nations to beware how they reduce the elective franchise. The Americans are neither better nor worse than others. And the abuses by which they are disgraced would be quite as rampant on this side the Atlantic were the members of our legislature elected under a similar system.

injury in one or more departments, is sure to be in the end of the greatest advantage to every class and order of the community.

Our taxation, though not in any degree oppressive, is undoubtedly heavy, and every effort, consistent with the maintenance of justice, good faith, and national security, should be made to lighten its pressure in those parts in which it is really objectionable. Its mischievous influence has, however, been grossly exaggerated; and one would be inclined to suppose, were much reliance to be placed on the tracts that are circulated and the speeches that are made, that it was the grand source of pauperism and crime. In truth and reality, however, it may be doubted whether either the one or the other would be perceptibly abated were taxation wholly abolished.

But whether that be so or not, it is clear that for a while at least, no remission of taxes that would materially benefit the lower classes needs be looked for. The duties on spirits and tobacco might, probably, be reduced in the interest of the revenue, but it is contradictory to suppose that the condition of the people would be improved by cheapening these articles. It would merely give them greater facilities and greater temptations for indulging in that intemperance which is their bane. It is otherwise, no doubt, with the duties on tea and sugar. Their reduction would be advantageous to the mass of the people, though not to anything like the extent that is commonly supposed. But, however desirable, it is difficult to see how they can be reduced. We have so managed matters, by abandoning the paper-duties, and the duties on silks and most sorts of luxuries, that, supposing anything like an efficient surplus revenue to be kept up, we have left ourselves but little choice, except between bad and worse, between high duties on a few necessary articles and a high income-tax. For the present, therefore, it would seem that the less we interfere with taxation the better. Without a large reduction of the public expenditure but little can be done for its reduction,

and still less needs be expected from plans for the commutation of taxes.

There can, indeed, be little or no doubt that with so vast and so diversified an expenditure as ours, there must be various departments in which zealous economists might effect considerable savings without in any degree diminishing their efficiency. But, on the other hand, many unappreciable, and, indeed, unforeseen causes of fresh outlays are always arising; and the presumption is that, in periods of some five or ten years, these new and unlooked for sources of expense will overbalance all that the most vigilant economy has simultaneously saved, and that there will be an increase of expenditure. Such, at all events, has been our experience hitherto, and there is but little prospect of its being otherwise in time to come. Of late years, indeed, the passion for expense has had a marked ascendancy over the passion for economy, in so far at least as public affairs are concerned. The difficulty in these matters which a minister has to encounter, is to reconcile security with economy. Unless he have the determination and perhaps, also, the power of Pitt or Peel, he is apt to be drawn too much to the one side or the other, and yet it is sufficiently evident that an excess in either direction is really hostile to the end its promoters have in view. Extraordinary expenditure, by wasting the national resources, saps the foundations of that security it is intended to exalt, while too great economy, by stinting the force at the disposal of Government, is apt to tempt aggression on the part of others, and, if so, a sudden and, therefore, an injurious augmentation of expenditure becomes necessary.

Hence, while we make adequate provision for the security of the United Kingdom and of our dependencies and trade in all parts of the world, we fear we need not look to a saving of expenditure for anything like an effectual reduction of taxation. Such a country as this, the object at one and the same time of so much jealousy and so much envy, should always have on foot a very formidable force. Without the ability

and the determination to maintain, at all hazards, every iota of her rights, no nation can be really independent or exist otherwise than by sufferance. Treaties, conventions, and the sanctions of public law are but little to be depended on. Like the paper cannons of the Chinese, they are good only for holiday service. The motto of the old Scottish kings, *Nemo me impune lacessit*, embodies the only principle on which any stress can be safely laid. Our parliament, our free press, and all that we most value, are, in truth, principally dependent on our bayonets and our ships of war. To weaken the latter is to endanger the former. *Omnes urbanæ res, omnia hæc nostra præclara studia, et hæc forensis laus, et industria, latent in tutela ac præsidio bellicæ virtutis. Simulatque increpuit suspicio tumultus, artes illico conticescunt.**

On the whole we believe that we must look for the future improvement of the bulk of the population rather to the growth among them of improved habits and the extension of industry than to anything else. And of these the former, were it brought about, would be by far the most effectual. There is no concealing the fact that the improvidence of the poor, and their wasteful habits are ten times more injurious to them than would be the heaviest taxation. However limited his circle, everybody is acquainted with families in the lower and middle ranks, with about the same incomes, whose condition is widely different. In some there is order and economy, in others disorder and waste. Nothing that can be done will lift the latter, unless their habits be changed, from the poverty and distress in which they are involved. You may double or treble their wages, but it will serve only as an incentive to their disorderly and wasteful mode of life. But with the others it is quite the reverse. Their greater wages are employed partly in adding to their comforts, and partly

* Cicero "pro Murena," § 9.

to their deposits in the savings' banks. The more the habits that characterize them are diffused, the better will it be for society; but without this no reduction of taxation, and no increase of wages, will be of any great importance. What others can do for the poor is but as the small dust of the balance compared with what they can do for themselves. They are, in great measure, independent of government.

The crisis that has overtaken the cotton manufacture strikingly exemplifies the risks to which the industry of a great manufacturing and commercial nation is always exposed. And the exposure to such risks is a drawback which, though it may be mitigated, can never be entirely obviated by the establishment of a free commercial system. A cautious, consistent, and firm system of foreign policy, and a well-established system of finance, resting on the broad basis of indirect duties, afford, perhaps, the best means of avoiding such crises, and of meeting them when they occur. It is then possible to make such remissions of taxation as may be most likely to alleviate the peculiar distress arising from a revulsion without affecting the general solidity of the system.

PART III.

FUNDING SYSTEM.

CHAPTER I.

ADVANTAGES AND DISADVANTAGES—RISE AND PROGRESS OF THE FUNDING SYSTEM.

THE expenditure of civilized communities in time of peace does not often exceed, at least to any great extent, their ordinary revenue. It is otherwise, however, in time of war. When the independence and honour of nations are at stake, proportional sacrifices must be made to maintain them. Hos-

tile aggression and insult must be opposed and avenged. But to do this requires extraordinary funds; and the question how they may be most advantageously provided is one of no ordinary importance.

It was the common practice of antiquity to make provision in times of peace for the necessities of war, and to hoard up treasures beforehand as the instruments either of conquest or of defence, without trusting to extraordinary imposts, much less to borrowing, in times of disorder and confusion. The Athenians are said to have amassed upwards of 10,000 talents in the interval between the Persian and Peloponnesian wars, and the Lacedæmonians imitated their example.* A large treasure, part of which had been stored up from the age of Cyrus, fell into the hands of Alexander the Great on the conquest of Susa and Ecbatana.† In the Roman commonwealth the *aurum vicesimarium*, or tax of the twentieth penny on the manumission of slaves, was accumulated, along with various sums taken from subjugated states, in the Temple of Saturn, as a sacred deposit to be used only in the utmost emergency. On leaving Italy, Pompey was weak enough, or careless enough, to leave this treasure behind him, which, in consequence, became the prey of his less scrupulous or more vigilant rival.‡ At a subsequent period Augustus, Tiberius, Vespasian, and all the more able emperors, were in the habit of accumulating treasure. Paulus Æmilius brought a large amount of gold and silver to Rome, which is, however, admitted to have been a part only of the wealth of the kings of Macedon, Perseus having previously dissipated a considerable portion in his wars with the Romans. The practice, in fact, was universal in the ancient world; but in modern times it has been but little followed, except by the canton of Berne,

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* Hume's "Essays on the Balance of Trade and on Public Credit."

† Ibid.

‡ Middleton's "Life of Cicero," 4to. ed., ii. 104.; Plin. Hist. Nat., lib. iii. cap. 3.; and the famous passage in Lucan, lib. iii lin. 115—158, &c.

Frederick the Great, and a few other princes. The circumstance of its having been strongly commended by Hume is perhaps the most that can be said in its favour. But he appears to have overlooked the important fact that those who amass treasure, withdraw, in so doing, a corresponding amount of capital from the great work of production; and that, consequently, it must, by diminishing the wealth and means of employment of the countries in which it is accumulated, render them less opulent and powerful. For this and other reasons the practice of hoarding is now generally admitted to have been founded on erroneous principles. And modern politicians and economists seem to be universally of opinion that war expenditure should either be entirely defrayed by a proportional increase of taxation, or partly in that way and partly by loans.

The question which of these modes should be adopted has been long and vehemently discussed, and has given rise to the most contradictory statements. This, however, appears to have arisen more from the partisan spirit so generally displayed by those who have engaged in the discussion than from any real difficulty inherent in the subject. Neither party seems to have taken any very comprehensive view of the different bearings and incidences of the question. Proceeding on some general principle which, perhaps, was doubtful in itself, and which, at all events, did not admit, in such a matter, of being carried to an extreme, they have concluded either that the one or the other mode of providing for any extraordinary expenditure should be exclusively adopted. But it will be found that this is a question of balanced difficulties, and in which much depends on circumstances; that at one time an increase of taxation may be the preferable mode of raising the supplies, and that at another they should be raised by loan, or partly in the one way and partly in the other. On occasions when either plan may be adopted with tolerable facility and without danger to the government, or to industry, we are disposed to conclude, for the reasons that will be immediately stated, that

an increase of taxation should be preferred. But this is a mode of meeting extraordinary expenses that can be advantageously resorted to only by a strong and well-established government, and when the situation of a country is such as fits it for bearing a sudden and considerable increase of taxation. If the government be weak, or if the country be already heavily burdened, as compared with its ability to bear taxes, loans would seem to be the best means of providing for an emergency.

Before proceeding to inquire into the merits of the funding or borrowing system, as a plan for providing for the extraordinary expenses of a state, we may shortly observe that in its infancy the nature and influence of a public debt were very generally misunderstood, and that several unfounded theories were advanced respecting it which are not yet entirely relinquished. Bishop Berkeley pretty plainly insinuates that he considered "the public funds as a mine of gold."* Melon, the author of the "Essai Politique sur le Commerce," published in 1735, does not go quite so far as Berkeley; but he contends, and his opinion has had many supporters, that the debts of a nation are "debts of the right hand to the left;" and that, consequently, they have no tendency either to increase or diminish national wealth.† But the speculations of his predecessors were all thrown into the shade by those of Pinto, a Jew merchant resident in Holland, and author of an otherwise ingenious work, "De la Circulation et du Crédit," published in 1771, who undertook to demonstrate that public debts, far from being a burden, were so much added to the national wealth by the magical influence of credit! (p. 44, &c.) And, singular as it may seem, not a few individuals of eminence have expressed their belief in this ridiculous paradox.

* "Querist," No. 233.
† "Essai," &c., p. 296, ed. 1736.

Truly did Hume say of such theories that they "might have passed for trials of wit among rhetoricians, like the panegyrics on folly and fever, on Busiris and Nero, had we not seen them patronised by great ministers and even by a whole party amongst us." * The fallacy of such notions is, indeed, so very obvious that it is not a little surprising they should ever have been entertained. It may be conceded to Melon, for it is unnecessary again to notice Pinto, that the *interest* of the public debt is a debt of the right hand to the left, or is so much money paid by one portion of society to another. But the question does not regard the interest, but the PRINCIPAL, for which the interest is paid. And as it was not made over by one set of individuals to another, but to the government, by whom it has been spent as revenue, or annihilated, it follows that the income of the stockholders must be wholly derived, by means of taxes, from the property and industry of others.

This doctrine has been stated, with his usual brevity and clearness, by Mr. Justice Blackstone:—"By means," says he, "of our national debt, the quantity of property in the kingdom is greatly increased in idea, compared with former times; yet, if we coolly consider it, not at all increased in reality. We may boast of large fortunes and quantities of money in the funds; but where does this money exist? It exists only in name, in paper, in public faith, in parliamentary security; and that is undoubtedly sufficient for the creditors of the public to rely on. But then, what is the pledge which the public faith has pawned for the security of these debts? The land, the trade, and the personal industry of the subject; from which the money must arise that supplies the several taxes. In these, therefore, and in these only, does the property of the public creditors really and intrinsically exist: and, of course, the land, the trade, and the personal industry of individuals are diminished in their true value just so much as they are alledged to answer. If A's income amounts to 100*l.*, and he is

* "Essay on Public Credit."

so far indebted to B that he pays him 50*l.* a year of interest, half the value of A's property is transferred to B, the creditor. The creditor's property exists in the demand which he has upon his debtor, and nowhere else; and the debtor is only a trustee to his creditor for half the value of his income. In short, the property of a creditor of the public consists in a certain portion of the national taxes; by how much, therefore, he is the richer, by so much the nation, which pays these taxes, is the poorer." *

It is not, however, meant, in laying these statements before the reader, to deny the policy of contracting debt. That depends on wholly different considerations; and supposing a war to be just and necessary, and that it has been ascertained that its expense may be best defrayed by means of loans, their expediency is no longer a question. It is further to be borne in mind, that as the taxes required to defray the interest of loans are seldom very oppressive, they not unfrequently exert a beneficial influence over industry; and through the stimulus they give to invention and economy usually replace (and sometimes more than replace) the interest. Neither is it to be doubted that there are several considerable indirect advantages connected with the existence of a public debt. The readiness with which portions of it may be transferred from one individual to another; the facilities which it consequently affords for investing the smallest as well as the largest savings, have certainly had a beneficial influence; and it is not easy, indeed, to see how some of our most important businesses, as those of banking and insurance, could be advantageously carried on, did the public debt not exist. Yet, if we consider it apart from the urgent circumstances which make it be contracted, the disadvantages connected with the accumulation of a large public debt appear very much to outweigh its advantages. The taxes which the payment of the interest involves may lay

* "Commentaries," i. 327.

a country under serious difficulties; and by reducing the rate of profit and crippling the public energies, may stimulate the transfer of capital and manufactures to less heavily taxed countries.

But, however important, these, after all, are matters of subordinate interest. The preservation of national independence and honour is in every case the paramount consideration; and no sacrifice, whether of treasure or of blood, should be deemed too great by which they may be maintained and transmitted entire to the remotest posterity. Nothing can compensate for their loss or insecurity. And if loans be the only, or the best, means by which, in cases of emergency, these great interests may be preserved, they should, without hesitation, be resorted to, whatever may be their *ultimate* influence.

> Summum crede nefas, animam præferre pudori,
> Et propter vitam vivendi perdere causas.

When, however, the necessity is not so urgent, or when any extraordinary expense may be defrayed either by loans, or by an equivalent increase of taxation, or partly in the one way and partly in the other, it is of the greatest importance to be able to decide, on just grounds, which should be preferred.

If the facility with which money may be obtained were the only circumstance to be attended to in comparing the borrowing system with the plan for raising the supplies within the year by a corresponding increase of taxation, the preference would, in every case, have to be given to the former. The regularity with which the stipulated interest is paid, the ease with which funded property may be disposed of, and the hope which every one's confidence in his own good fortune makes him entertain of profiting by fluctuations in its price, enable governments to obtain the largest loans on the shortest notice and with very little difficulty. The public, on their part, are equally well pleased with this system. Instead of being called upon to advance a large sum in taxes,

they are only taxed to pay the interest of that sum. A burden of this limited extent, as it lays no individual under the necessity of making any considerable additional exertions, or any considerable reduction of his expenditure, is generally submitted to without a murmur. Such a mode of providing for the expenses of a war seems to divest it of more than half its hardships. And we cease to feel surprise that governments should universally resort to a system which, while it readily furnishes them with the largest supplies, is so very popular with their subjects.

But the merits of the funding system are not to be determined merely by the *facility* which it affords for raising supplies. That certainly is a consideration which is not to be overlooked; but there are others which are of still greater importance. The real effects of any financial operation can never be ascertained by looking at those only of which it is immediately productive. We must extend our observation to those which are more remote, and endeavour, if possible, to trace its permanent and ultimate influence. Now, if we do this, if we attend, not to the transitory only, but also to the lasting effects of the practice of funding, we shall find that the facility which it gives of raising the supplies is only on certain occasions an advantage, and that, on others, it may be a serious defect. It is nugatory to imagine that any scheme for defraying war expenditure should ever be proposed capable of protecting individuals from the losses and privations inseparable from national struggles. Every people involved in war, however just and necessary the contest may be, must sooner or later experience the effect of the waste of capital, or of the means of future production, which it rarely fails to occasion. And it is clear that no scheme of finance can be bottomed on sound principles which disguises these necessary consequences of war, and deceives the public with regard to their real situation. This, however, is notoriously the case with the funding system. It is truly said to require no individual to make any extraordinary sacrifice at any particular

period. And in this respect it bears a close resemblance to those most dangerous diseases which steal slowly and imperceptibly on the constitution, and do not discover their malignant symptoms until they have fastened on the vitals and vitiated the whole animal economy. The industry and economy of individuals, and nothing else, can effectually countervail the profusion and waste occasioned by a war. And to make these virtues be practised, every man should be made fully aware of the influence of war expenditure over his own private fortune, or means of subsistence. The radical defect of the borrowing system consists in its deceiving the public on this point, and in its making no sudden encroachments on their comforts. Its approaches are gradual and almost unperceived. It requires only small immediate sacrifices. But it has *nulla vestigia retrorsum*. It never relinquishes what it has once gained; while the necessity for fresh sacrifices, arising from their own ambition, injustice, and folly, as well as from those of their neighbours, continues as great as ever. Such a system is essentially delusive and treacherous. It occasions the imposition of tax after tax, hardly one of which is ever again repealed; so that before the public are awakened from their trance, and made aware of their actual condition, their property and industry are probably encumbered with a much larger permanent payment on account of the interest of the public debt than would have been required, had they submitted to it at once, to defray the expenses of the war.

It may perhaps be said, that supposing we are engaged in a war which costs twenty millions a year, it is really the same thing, provided the rate of interest be five per cent., whether we pay the twenty millions at once, by a proportional increase of taxation, or borrow them, and pay the lenders an interminable annuity of one million a year; for when interest is at five per cent., twenty millions in one payment, and an interminable annuity of one million, are of the same value. But it is precisely because these two modes of defraying war expen-

diture never have been, and never will be, considered equally expensive by the public, that the funding system is most injurious. Suppose, for example, that the supplies are raised within the year, and that the share falling to an individual is 100*l.* The wish to maintain himself in his former station, and to preserve his fortune unimpaired, would stimulate him, on being called upon for this sum, to discharge it, partly by increased exertion, and partly by a saving of expenditure, without suffering it to continue to encumber his property. But by the system of loans, he is called upon to pay only the interest of this 100*l.*, or 5*l.* a year; and instead of endeavouring to save the whole 100*l.*, he is satisfied if he save the interest. The nation, acting in the same way, save only the interest of the loan, or *one* million, and allow the principal sum of *twenty* millions, which they would have either wholly or partly saved, had they been called upon to pay it at once, to remain as a mortgage on their property and industry. Men act thus, because they invariably reckon a war burdensome in proportion only to what they are at the moment called upon to pay for it in taxes, without reflecting on the probable duration of these taxes. It would be a hopeless undertaking to attempt to convince most persons that a perpetual payment of 5*l.* a year is as burdensome as a single payment of 100*l.* We entertain a vague idea that some future accident or revolution may occur to relieve our properties from the perpetual payment; and, at all events, we look upon it as certain that the greater portion of it will have to be defrayed by posterity. Indeed, this very circumstance of its throwing a portion of the expense of every contest on posterity, is one of the recommendations of the funding system which is principally relied on by its advocates. But it is easy to see that it is in great part illusory; and that the more the interests of posterity are protected, provided those of the present generation be not injured, the better. The plan for raising the supplies within the year would be advantageous to all parties, by generating an additional spirit of industry and

economy. And though it had no such influence, its adoption could do no possible harm, either to the present or the future generation. It is obviously indifferent to an individual whose share of the expenses of a war amounts to 100*l.*, whether he pay it at once, and leave his heir 100*l.* less, or do not pay it, and leave him 100*l.* more, subject to a constant charge of 5*l.* a year. While, however, it entails no greater burden on individuals than the system of borrowing, and gives full liberty to every one who is so disposed, to remove a part of that burden from his own shoulders to those of his successors, the plan for raising the supplies within the year makes the public less inclined to avail themselves of this power, and more disposed to make immediate sacrifices. It is an error to suppose that this plan protects the interests of posterity, by laying any heavier burden on the existing generation. It protects them by giving additional force to the accumulating principle, and by stimulating individuals to maintain themselves, despite the increase of taxation, in their former position, and to preserve their capital and income undiminished.

Here then is a distinguishing criterion of the two systems. The funding system occasions only such an additional degree of exertion and economy as may be required to produce and save the interest of the capital that has been borrowed; whereas the system of raising the supplies within the year gives much greater force and activity to this principle, and makes the public endeavour to produce and save a sum equivalent, not to the interest only, but to the principal of the loan. If, therefore, the question, with regard to the merits of the two systems, were to be decided by a comparison of their respective influence over national wealth,—and this is admitted by Gentz, the ablest defender of the funding system, to be *la première considération, et celle qui doit toujours l'emporter sur toutes les autres*,*—there can be no manner of doubt that

* "Essai sur l'Administration des Finances," &c., p. 111. ed. 1800.

the preference would have to be given to the plan for raising the supplies within the year.

Not only, however, would this plan be a means of stimulating individuals to defray their share of the public expenditure, by increased exertion and economy, but it would also, by making them feel the full pressure of the burdens it occasions, render them less disposed wantonly to engage in expensive contests, and more inclined to embrace the earliest opportunity of making peace on fair and reasonable terms. It would teach governments and their subjects to be more economical, and to conduct public affairs in the least expensive way. To a nation that defrayed all, or the greater part of the extraordinary expenses of war by a corresponding increase of taxation, peace might be truly said to bring "healing under her wings." As soon as the period of extraordinary exertion had ceased, the taxes which had been imposed to defray its expense would also cease. Prices would fall back to their natural level. And industry, relieved from the burdens of the war, and improved by the stimulus they would most likely have given to invention, would have nothing to fear from the competition of foreigners. Had we always acted on this system, our taxes would not, at this moment, have exceeded some thirty or thirty-five millions a year. And it is reasonable to suppose, had such been the case, that profits, and perhaps wages, would have been considerably greater; and that we should have been more powerful and more able to repel and avenge any attacks on ourselves, as well as to interpose with better effect in defence of our allies.

But how conclusive soever these statements and reasonings may appear, it is still true that the plan for raising the supplies within the year is open to some very weighty objections, and that its superiority to the funding system is not by any means so decided as we might be at first disposed to conclude. Among other objections to this plan it has been said, that it would be extremely oppressive on landlords and manufac-

turers, who are not generally possessed of large sums of ready money, to force them to make an immediate contribution of their entire share of the expenses of a war. Suppose, for example, that a manufacturer's share of the expenses of a war amounts to 1,000*l.*, and suppose further, that he can neither save this sum from his expenditure, nor withdraw it without loss from his business; the advantage of the funding system consists, we are told, in relieving him from the necessity of making this payment, and in enabling him to carry on his business as before, subject only to a deduction of 50*l.* a year, which he can easily spare from his profits. But a little consideration will serve to show that this advantage, though considerable, has been a good deal overrated. If it be asked, how does the practice of funding relieve the manufacturer from the necessity of paying down 1,000*l.*? the answer is, by government or its agents going into the money-market and borrowing 1,000*l.* on his account, with the interest of which he is charged. And, such being the case, the presumption seems to be that, had this practice not prevailed, the manufacturer would have done that directly which he has done by deputy, that he would have gone into the market himself and borrowed the same sum. "That there are persons disposed to lend to individuals," says Ricardo, who has laid great stress on this argument, "is certain from the facility with which government raises its loans. Withdraw this great borrower from the market, and private borrowers will be readily accommodated. By wise regulations and good laws the greatest facilities might be afforded to individuals in such transactions. In the case of a loan A advances the money, and B pays the interest, and everything else remains as before. In the case of war-taxes, A would still advance the money, and B pay the interest, only with this difference, he would pay it directly to A; now he pays it to government, and government pays it to A."

We cannot, however, help thinking that Ricardo has, in this instance, pushed an argument which is true within certain

limits, to an extent that will not hold. When government goes into the money-market and contracts for a loan, it borrows, no doubt, for those who would otherwise have to borrow for themselves; but it does not negotiate a separate loan on account of each individual; it borrows for them in a mass, and pledges the national credit in security for the entire loan. By this means the loans for behoof of those whose security is comparatively indifferent, are obtained on the best terms, and the total payment for interest is considerably less than it would have been had a series of loans been contracted by private parties. In this respect, therefore, the system of funding is preferable to the plan for raising the supplies within the year.

Undoubtedly, however, the grand argument against the latter plan, and in favour of funding, is to be found in its obviating the necessity of making any sudden and oppressive addition to the weight of taxation. It is impossible to say, *à priori*, in how great a degree taxes may be augmented, provided due care be taken in their selection and assessment, without operating injuriously. But countries may be, and frequently are, so situated that any immediate and considerable increase of taxation might produce a dangerous revulsion, and give such a shock to industry as could not easily be repaired. To fit a country for bearing a large amount of taxes, they should, if possible, be gradually and slowly increased. We have already endeavoured to show that a moderate increase of taxation infuses a greater spirit of economy into the people, and becomes a spur to industry and invention. But a sudden and oppressive increase of taxation might have an opposite effect, and, instead of producing an increase of invention and economy, might occasion the decline of both. It is obvious, therefore, that the policy of raising the supplies for a war by means of loans, or by an equivalent increase of taxation, cannot be decided on general principles, but depends on the peculiar circumstances of the country at the time. Whenever there is no risk of prejudicing

industry, by making an equivalent increase of taxation, it would seem, for the reasons already stated, that the preference should be given to the plan for raising the supplies within the year. And though a loan should be required to obviate too great an increase of taxation, still the inconveniences attending the accumulation of debt are so very great, that every practicable effort should be made to raise taxation to the highest limit to which it may be safely carried, and to make it defray a considerable part, at least, if not the whole, of the extraordinary expenditure. If the expenses of a war were distributed among individuals according to their means, it is abundantly certain, for the reasons already stated, that the wish to relieve themselves of such private and peculiar debts would be a far more powerful motive to additional exertion and economy than the wish to relieve themselves of the interest of loans. The real effect of increased public expenditure on private parties would then be obvious; the deception caused by loans would be avoided; and every one would have a plain and distinct motive to exert himself to get rid of *his share* of the public expense. But by resorting to the plan of funding, the property and industry of all classes are mortgaged and encumbered, while individuals, looking only at the debt *en masse*, and ignorant of the magnitude of the portions peculiar to themselves, never once dream of their payment, or, if ever, only whether it may be effected, without any sacrifice on their part, by the delusive agency of sham sinking-funds.

The fact that two such able and ingenious inquirers as Hume and Smith should have entertained the strongest apprehensions of the mischievous influence of the public debt when it was hardly a tenth part of what it now amounts to, and that notwithstanding its vast increase in the interval the wealth and population of the country should have increased still more rapidly — has naturally enough generated a disposition to look with distrust on all such sinister auguries.

It does not, however, appear that Hume and Smith formed any false estimate of the influence of a large public debt, but only that they did not lay sufficient stress on the circumstances by which that influence might be (and by which, in the case of England, it has been) countervailed. None of them made sufficient allowance for the possible effects of new inventions, and improved methods of production, in enabling a country to support without difficulty additional taxes; and none of them, though in this respect Hume was the clearer-sighted of the two, was sufficiently alive to the powerful influence which an increase of taxation has in adding new strength to enterprise and economy. The stupendous inventions and discoveries of Watt, Arkwright, Crompton, Wedgwood, and others, have hitherto falsified all the predictions of those who anticipated national ruin and bankruptcy from the increase of the public debt. But these inventions and discoveries might never have been made but for the spur given to the public energies by the increase of taxation that grew out of the funding system. And though they had been made, there is no reason to suppose that they would have been so rapidly introduced, or that they would have been so much perfected and improved in so short a period in the absence of this stimulus. It is impossible, perhaps, in estimating the progress of Great Britain since 1760, to say how much is to be ascribed to the desire of rising in the world, and how much to the fear of being thrown down to a lower station by the increase of taxes. But it would not, perhaps, be difficult to show that the latter has had the greater influence of the two.

But despite the powerful countervailing influences now alluded to, there can, we apprehend, be little doubt that we have carried the practice of funding to a vicious excess; and that a much larger portion of the sums required to carry on the American war and the first half of the late French war might and should have been raised by taxation. Probably, indeed, the facility of defraying any extraordinary expense by

means of funding, and the temptations which it consequently holds out to ministers to resort to it rather than encounter the clamour that would be occasioned by the imposition of any considerable amount of taxes, is the greatest drawback on the practice. It is, in truth, almost sure to be abused. "It would scarcely," says Hume, "be more imprudent to give a prodigal son a credit in every banking shop in London, than to empower a statesman to draw bills in this manner upon posterity." *

The history of most modern nations confirms the truth of this statement. The funding system has been almost universally adopted, to be as universally abused. How serviceable soever at first, it has been rendered, in no very lengthened period, generally injurious. It was carried to a great extent in Holland; and we have already seen that it is to it, or rather to the excessive taxation in time of peace which it occasioned, that the low rate of profit in that republic, and the decline of her fisheries, manufactures, and commerce, are mainly to be ascribed. "Nous avons remarqué que l'accroissement successif des impôts, et la nécessité de faire des emprunts, ont concouru, plus que toute autre cause, à faire décroître le commerce de la Hollande. C'est là une suite inévitable surtout des emprunts, parce qu'une paix ne mortifie pas les dettes de l'état. Tous les avantages d'une guerre heureuse ne bonifient pas les désavantages que l'état en souffre. Les peuples sont moins heureux, et l'état s'est affoibli. C'est toujours là le résultat inévitable de l'usage des emprunts. C'est là peut-être l'un des fléaux de la guerre moderne, qui répand le plus des calamités, en ce qu'il affecte tous les peuples dans un détail infini et à plusieurs générations. La politique qui dès nos jours a trouvé l'art de soutenir la guerre par l'usage du crédit, ne pourroit produire un art plus funeste à l'humanité." †

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* "Essay on Public Credit."

† "La Richesse de la Hollande," tom. ii. p. 201. ed. in 4to.: Amst. 1778.

The funding system was introduced into France by Louis XIV., at the suggestion of Louvois, in opposition to the opinion of Colbert.* It was, as might have been anticipated from the irresponsible nature of the government, so shamefully abused, that it produced, as early as 1715, a public bankruptcy. But this catastrophe, though productive of a vast amount of suffering, was very soon forgotten. Promises, protestations, the allurement of high interest, and the overweening confidence of individuals, having made fresh loans negotiable, a second bankruptcy took place in 1769. And even this was not enough to open the eyes of the authorities to the necessity of a radical reform of the financial system of the country. The disgraceful abuses in the assessment and collection of taxes, and in the public expenditure, instead of being suppressed, were permitted to gather new strength, to

* We extract the following account of the way in which Colbert's efforts were defeated, from a Memoir on the State of the French Finances, presented to the Duke of Orleans, Regent of France, in 1717 :—

"M. de Louvois," says the author of the Memoir, "comme tout le monde le sçait, n'étoit pas faché de voir la guerre. Au commencement de celle qui fut entreprise en 1672, il fallut des secours extraordinaires.

"M. Colbert fit quelques traités des nouvelles impositions et des augmentations des droits ; ce qui excita des plaintes dans le public, et des représentations même de la part des magistrats.

"M. de Louvois, instruit de ces difficultés, alla trouver un des premiers magistrats, le Premier Président du Parlement de Paris, homme d'un mérite distingué et d'une probité reconnue. Il lui dit qu'il rendroit un service essentiel au Roi, en lui remontrant qu'au lieu de ses traités (excises) extraordinaires que le parlement se faisoit tant de peine d'enrégistrer, et qui étoient si insupportables au peuple, il étoit bien plus simple et plus aisé de créer des rentes ; qu'un million de rentes crées produroit tout d'un coup vingt millions, et que ce seroit un petit objet par rapport aux revenus considérables dont jouissoit sa Majesté. Ce magistrat suivit de bonne foi l'avis qui lui était donné. Le Roi ravi de cet expédient, qui lui venoit d'un homme si approuvé, dit à M. Colbert qu'il n'y avoit qu'à créer des rentes. M. Colbert, qui en prévoyoit les suites et les inconvéniens, voulut avant que de rendre l'Edit, se donner la satisfaction de parler au premier Président. Il lui fit sentir les conséquences du conseil qu'il avoit donné à bonne intention, et lui dit qu'il repondroit devant Dieu du préjudice qu'il causoit à l'état, et du mal qu'il faisoit au peuple."—(Forbonnais, "*Recherches sur les Finances de la France*," tom. vi. p. 117. ; see also Clement, "*Histoire de la Vie et de l'Administration de Colbert*," p. 345.)

scatter their seeds and spread their roots on all sides. The baffled attempts at reform by Turgot, and the writings of Necker, served only to disclose the hopelessness and the immensity of the evil. And the deficiencies of the revenue during the American war having again forced recourse to loans, the bankruptcy and revolution of 1789 followed almost as a matter of course.

The circumstances which lead, even in constitutional and well-governed states, to the contraction of public debts, the ruinous consequences of their too great accumulation, and the importance and difficulty of making any adequate provision for their discharge, were set in a clear light in a Report by the Secretary of the Treasury of the United States in 1796. We subjoin an extract from this valuable paper.

"There is no sentiment that can better deserve the serious attention of the legislature of a country, than the one expressed in the speech of the President (Washington); which indicates the danger to every government from the progressive accumulation of debt. A tendency to it is, perhaps, the natural disease of all governments; and it is not easy to conceive anything more likely than this to lead to great and convulsive revolutions of empires. On the one hand, the exigencies of a nation creating new causes of expenditure, as well from its own, as from the ambition, rapacity, injustice, intemperance, and folly of other nations, proceed in increasing and rapid succession. On the other, there is a general propensity in those who administer the affairs of government, founded in the constitution of man, to shift off the burden from the present to a future day, a propensity which may be expected to be strong in proportion as the form of the state is popular.

"To extinguish a debt which exists, and to avoid contracting more, are ideas almost always favoured by public feeling and opinion; but to pay taxes for the one or other purpose, which is the only means to avoid the evil, is always more or less

unpopular. These contradictions are in human nature; and the lot of a country would be enviable indeed in which there were not always men ready to turn them to the account of their own popularity, or to some other sinister purpose. Hence it is no uncommon spectacle to see the same men, clamouring for occasions of expense, when they happen to be in unison with the present humour of the community, well or ill directed, declaiming against a public debt, and for the reduction of it as an abstract thesis, yet vehement against every plan of taxation which is proposed to discharge old debts, or to avoid new, by defraying the expenses of exigencies as they emerge.

"These unhandsome acts throw artificial embarrassments in the way of the administrators of governments; and co-operating with the desire, which they themselves are too apt to feel, to conciliate public favour by declining to impose necessary burdens, or with the fear of losing it by imposing them with firmness, serve to promote the accumulation of debt, by leaving that which at any time exists without adequate provision for its reimbursement, and by preventing the levy of new taxes when new occasions of expense occur. The consequence is, that the public debt swells till its magnitude becomes enormous, and the burdens of the people gradually increase till their weight becomes intolerable. Of such a state of things, great disorder in the whole political economy, convulsions and revolutions of governments, are the natural offspring.

"There can be no more sacred obligation, then, on the public agents of a nation than to guard with provident foresight and inflexible perseverance against so mischievous a result. True patriotism and genuine policy cannot, it is respectfully observed, be better demonstrated by those of the United States at the present juncture than by improving efficiently the very favourable situation in which they stand for extinguishing, with reasonable celerity, the actual debt of the country, and for laying the foundations of a system

which may shield posterity from the consequences of the usual improvidence and selfishness of its ancestors, and which, if possible, may give immortality to public credit."

But, despite the dangerous nature of the borrowing system, and its all but irresistible temptations to abuse, it is frequently an invaluable resource. It is doubtful whether the independence of the United States could have been effected without its assistance. And it is but fair to the Americans to state that they have practically carried out the principles laid down in the above extract. The debt due by the United States in 1793 amounted to about 80,000,000 doll.; and notwithstanding a loan of 15,000,000 doll. to pay France for Louisiana, the debt had been reduced in January 1812, to about 45,000,000 doll. Large additions were made to it by the unfortunate war which then broke out with this country, so that in 1816, it exceeded 127,000,000 doll. But such were the measures that were then taken for its reduction, and so vigorously were they followed up, that in 1835 it was entirely paid off; being, perhaps, the only instance of a national debt having been extinguished by a *bonâ fide* payment of the principal borrowed, without composition or reduction of any kind.

But while America has furnished an example of the use, she is also furnishing a still more striking example of the abuse of the funding, or rather borrowing, system. The recklessness with which she has contracted debts during the last two or three years, and with which she is still adding to them, is quite unparalleled in the history of nations. And she has done this without making any provision even for the payment of the interest thereon. Hence it may safely be taken for granted that the abuse of the borrowing system in the United States will have the same results that it has had elsewhere, that is, that it will terminate in bankruptcy or revolution, or both. But little now appears to remain among the Americans of the lofty principle, the good faith, and patriotism that distinguished the founders of the Republic

and their immediate successors. A low standard of morality, and a contempt for economy, appear to be universally prevalent. It is not long since some of the wealthiest States of the Union disgraced themselves by repudiating portions of the debts they had contracted to enable them to execute important public works. And the anomalous circumstances under which the enormous mass of debt is now being accumulated, will supply pretexts in abundance to excuse its non-payment. Unless, indeed, the Americans choose to submit to a system of taxation as efficient as that which is established in Holland, the repudiation of the debt will be with them a matter of necessity. But though the rabid democracy by which they are misgoverned has no scruple about plunging into debt, we run little risk in saying that it will be quite another matter when it is called upon to provide for its payment. The chances are ten to one that it will be as reluctant to pay as it is ready to spend; and that it will prefer dishonesty without to honesty with taxes.

We have already seen that if a country engaged in war be so situated that the imposition of the taxes required to carry it on would give any serious shock to industry, loans should be negotiated, if not for the whole, at least for a portion of the extraordinary expense. Political considerations may also make recourse to loans indispensable. An increase of taxation is always unpopular. And a weak or insecure government might be unable to levy any considerable additional amount of taxes, however able the country might be to bear such increase. The rise of the funding system in Great Britain was mainly ascribable to circumstances of the kind now mentioned.

With the exception of the trifling sum of 664,000*l.*, the National Debt has been wholly contracted since the Revolution, when the unsettled state of the government, and the difficulty of imposing new taxes, compelled recourse to be had

to loans. Lord Bolingbroke, Dean Swift, and other writers of their party, have, indeed, alleged that the practice of funding was adopted, not because it was the best, or rather the only, way of raising money at the æra in question, but in order to procure the support of the monied interest to the new government. And some Jacobite writers have even gone so far as to insinuate that William III. purposely involved us in debt and difficulties, that the Hollanders might have the better chance of surpassing us in manufactures and commerce! * It would be useless to waste the reader's time by any lengthened exposure of the falsehood of these imputations on the memory of our great deliverer. Every one in any degree acquainted with the state of Britain at the Revotion must be aware that funding was the only means of raising supplies to which government could then resort; and that we are in a very high degree indebted to the aid which it afforded to the revolutionary leaders for the establishment of our free institutions, and, consequently, for the wealth and greatness to which we have since attained. Louis XIV., then in the zenith of his power, epoused the cause of the exiled family of Stuart, and exerted himself to replace them on the throne. It would not, under any circumstances, have been an easy task to make head against a monarch who was master of the greatest and best disciplined armies, and of the ablest generals and engineers, which had then appeared in modern Europe. But the danger from without, though great and imminent, was inferior to the danger from within. James II. was master of almost all Ireland; and in Great Britain a numerous and powerful party was favourable to his pretensions. Such being the state of affairs, it would have been madness to have attempted, by imposing new taxes, to raise the sums required to defray the cost of the war it was necessary to wage for our independence and liberties. Had

* "History of the National Debts and Taxes," part i. p. 7.

any such attempt been made, it would have given the Jacobites the means of traducing the new government, of inflaming popular discontents, and most probably of overturning the revolutionary establishment. The land-tax was the only considerable addition made to the revenue during the reign of William III. And a considerable part of its produce was required to make up the deficiency caused by the loss of the hearth-duty, which government had been obliged to abolish, and by the falling off in the duties of tonnage and poundage. It is clear, therefore, that the circumstances under which they were placed, the *res dura et regni novitas*, fully justified the revolutionary leaders in resorting to loans. Their doing so was not, in truth, a matter of choice, but of necessity. It is visionary to suppose that they could have raised a revenue equal to the exigency of the crisis in any other way. No doubt, on account of the supposed instability of the government, the terms on which loans were contracted during the reigns of William III., Anne, and George I., were most unfavourable. This, however, was but a trifling consideration, compared with the interests they were indispensable to secure It was through their aid that our liberties were firmly established; the ambitious projects of Louis XIV. effectually crushed; and the political ascendancy of Great Britain placed on a solid foundation.

But, however necessary to a weak and precarious government, funding should never, for the reasons already stated, be made the principal support of a well-established government in a country capable of bearing a larger amount of taxation. And hence the practice should either have been wholly abandoned at the accession of George II., or confined within comparatively narrow limits. Although, however, its insidious nature and dangerous tendency were very soon exposed by various members in the House of Commons, and by Hume and other able writers out of doors, the facilities which it afforded to successive administrations of meeting extraordinary expenses without imposing equivalent taxes, secured its as-

cendancy. Had ministers attended to the dictates of sound policy, they would have acted differently, and imposed, despite the clamours of the ignorant, such additional taxes as might have sufficed to defray a far more considerable portion of our outlays. But a Washington at the head of affairs is a rare phenomenon. It is found in the business of nations as in that of individuals, and perhaps to a still greater extent in the former than in the latter, that the desire to secure some immediate though inconsiderable advantage is permitted to overbalance a very large amount of prospective inconvenience. The wish to conciliate public favour, to withhold from their opponents so fertile a topic of declamation and invective, as a sudden and considerable increase of taxation is always sure to afford, and in part also the real difficulty of carrying such a measure, tempted the ministers of George II. and George III. to persevere in the system of funding. And, in consequence, we are now subject to a much greater permanent burden, on account of the interest of the debt, than would suffice to defray the cost of the most expensive war.

These observations will, perhaps, be enough to enable a sufficiently fair estimate to be formed of the peculiar advantages and disadvantages of the plans we have been considering. The grand defects of the funding system consist in its making the loss occasioned by war expenditure seem less than it really is, which prevents an adequate stimulus being given to industry and economy, and in its tempting, from the facility which it affords of raising supplies, governments and nations to embark in rash and perilous enterprises. The plan of raising the supplies within the year, by a corresponding increase of taxation, is free from these defects. The considerable increase of taxation which it occasions, helps to preclude the chance of its being incurred, except on just and solid grounds; while by apportioning what would otherwise be a national burden, which no one would feel any particular interest in discharging, among individuals, each of whom is made to furnish his peculiar share of the public outgoings, it infuses

a more powerful spirit of industry and economy into all classes. On the other hand, however, the system of funding gives no sudden shock to industry. It habituates the public to bear their burdens; and by not calling upon them to do a great deal at once, it, perhaps, enables them to do more in the end. Here, therefore, the advantage is on the side of the funding system. But if the situation of a country be such that taxes may, without occasioning great inconvenience, be imposed to meet any extraordinary expense, and if its government be powerful enough to impose such taxes, the last-mentioned advantage does not appear to be so very considerable as to countervail the many disadvantages incident to the practice of funding, and the contraction of a large public debt. We should not wish to speak with undue confidence on such a point; but there does not seem to be much doubt that an income-tax of 10 per cent. might have been levied during the whole of the late French war. And notwithstanding its inequality, and the serious inconveniences by which it is attended, it would have been advantageous by obviating the necessity of funding largely, and on the most disadvantageous terms, at the commencement of the contest.

The following table exhibits the progress of the National Debt from the Revolution downwards:—(See table, p. 446.)

It may, however, be right to observe that it is very difficult to form any correct statement of the amount of the National Debt, and that the accounts of its magnitude at different periods rarely coincide. This arises from the fact of its consisting of different component parts, that is, of interminable annuities and annuities terminable at different periods, which it is difficult to convert into their equivalents in the former, of exchequer bills of different varieties, &c. The exact amount of the debt is, however, a matter of little consequence. The really important element is the charge on its account. "The public debt," to use the words of Lord Grenville, "consists not in capital but in annuities; and all reductions of it are, therefore, reductions not of capital but of annuities.

ACCOUNT of the PRINCIPAL (FUNDED and UNFUNDED), and ANNUAL CHARGE of the PUBLIC DEBT of the UNITED KINGDOM, at different Periods, from the Revolution downwards :*—

	Principal, Funded and Unfunded.	Interest and Management.
	£	£
Debt previously to the Revolution in 1689 -	664,263	39,855
Excess of Debt contracted during the reign of William III. above Debt paid off - -	12,102,962	1,175,469
Debt at the accession of Queen Anne in 1702	12,767,225	1,215,324
Debt contracted during the reign of Anne -	23,408,235	1,847,811
Debt at the accession of George I. in 1714 -	36,175,460	3,063,135
Debt contracted during the reign of George I.	16,348,463	†
Debt at the accession of George II. in 1727 -	52,523,923	2,360,934
Debt contracted between the accession of George II. and the Peace of Paris in 1763, three years after the accession of George III., above Debt paid off - - -	80,192,126	2,671,799
Debt in 1763 - - - -	132,716,049	5,032,733
Debt paid off from 1763 to 1775 - -	5,873,238	329,214
Debt at commencement of American war in 1775 - - - - -	126,842,811	4,703,519
Debt contracted during the American war -	118,624,044	4,961,022
Debt after conclusion of the American war in 1786 - - - - -	245,466,855	9,664,541
Debt paid from 1786 to 1793 - -	5,803,434	232,362
Debt at commencement of French war in 1793	239,663,421	9,432,179
Debt contracted during French war - -	591,507,711	21,880,689
Debt at the consolidation of the English and Irish Exchequers at the commencement of 1817 - - - - -	839,382,145	31,591,927
Excess of Debt cancelled over Debt contracted from 1817 to 31st March 1862 - -	38,611,907	5,425,226
Debt on 31st March 1862, and charge thereon during preceding year - - -	800,770,238	26,166,701

* The corresponding table given in the former edition of this work, was principally taken from Dr. Hamilton's book on the National Debt. The above, which differs considerably from its predecessor, and is the more accurate, is taken from a very elaborate paper, compiled by Mr. Chisholm, of the Exchequer, showing the progress of the debt since 1691.—Parl. Paper, No 443, Sept. 1858.

† Interest on debt reduced.

That debt is continually spoken of as if it were composed of the nominal amount of our public securities, but it is really

composed only of the annual payments guaranteed by those securities. Nothing is debt except what some person may, in justice or in equity, demand; and no one can claim from the nation any part of the principal of our public funds. The annual income which the stockholder derives from them is all which, in any sense, is his right; but that right is inviolable. The state has not borrowed his money at interest, under any obligation of repayment, but has sold him an annuity."* It is optional, however, for the state to redeem, when it thinks fit, any portion of this annuity by paying off the stock at par of which it is really the interest.

But without insisting on these matters the above table would afford ample materials for a lengthened commentary. The rapid progress of the debt during periods of war compared with the little progress made in paying it off during periods of peace, cannot fail to strike every one. And it is further to be observed that the reductions made in the principal of the debt have been chiefly effected through the very questionable practice of converting stock into life annuities; and that the reductions in the annual charge on account of the debt have been principally effected through the fall in the rate of interest since the peace having enabled Government to offer to pay off certain classes of stockholders in the event of their not agreeing to a diminution of their claims. Had it not been for the extremely objectionable plan on which the greater portion of the debt has been funded, this resource would have been much more available. But notwithstanding its limited operation, it is to it, and not to the influence of sinking funds, or to the employment of surplus revenue to pay off debt, that we are principally indebted for the reductions which have been made in the amount of our engagements.

Seeing the vast magnitude of our present incumbrances, our readers will hardly suppose how small an immediate sacrifice

* Essay on the Sinking Fund, p. 29.

would have sufficed to avert them. The capital of the debt has been swelled out beyond all reasonable bounds by the vicious practice of funding a larger amount of capital stock than the sums borrowed, and there have, also, been large deductions from the loans for prompt payment and bonuses of various descriptions. The funding system was probably more abused during the American war than in any other period of our history; but to show its operation it is not necessary to go further back than the war with revolutionary France, which about trebled the debt. In showing how the expenses of that contest were, and how they might have been provided for, we shall not lay any stress on any doubtful or irritating topic. It is probably true that there was a good deal of extravagance and waste on our part in the way in which the struggle was carried on, at least during its earlier portion. But it is immaterial to our object whether such were or were not the case. And assuming that the war was just and necessary, and that there was no useless expenditure in carrying it on, we have to inquire how much it would have cost had the expenditure been defrayed by a corresponding increase of taxation, and how much it has cost by the adoption of the borrowing system.

At the commencement of the war, in 1793, the charge on account of the funded and unfunded debt amounted to 9,624,088*l.*, which would have been gradually, though slowly, reduced by the falling in of annuities, &c. Now, it is obvious, that if we add to the charge on account of the public debt as it stood at the commencement of the war the charges on account of the government of the country and of the war, we shall have the whole sum which, had it been raised within the year, would have defrayed the entire charge against the public without resorting to loans. And by comparing this sum with the revenue actually received, we shall get the deficiency which, not being provided for by taxes, was provided for by loans. The opposite table exhibits the results of these statements and comparisons.

TABLE showing the Total Charge on Account of the Unredeemed Public Debt due January 5, 1793, in that and every subsequent Year to the 5th of January, 1817; the Total Charges of the State exclusive of the Debt; the Total Charges of the State inclusive of the Debt contracted previously to 1793; the Amount of the Nett Revenue received by the Treasury in each Year from 1793 to 1816, both inclusive; and the Excess of Expenditure over Revenue, and of Revenue over Expenditure.*

Years ending 5th Jan.	1 Charge on Funded and Unfunded Debt as it stood Jan. 5, 1793, and is it would have stood in the following Years, had no Additions been afterwards made to it.			2 Total Charge on Account of War Expenditure, Internal Government, or Colonies, &c.			3 Total of No. 1 and 2, or Charge, as it would have been had the Supplies been raised within the Year.			4 Total nett Revenue (exclusive of Loans received by the Treasury).			5 Excess of Expenditure over Revenue.			6 Excess of Revenue over Expenditure.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1793 -	9,624,088	8	5½	7,670,108	5	2	17,294,196	13	7½	19,258,114	6	4½	-	-		1,964,617	12	9
1794 -	9,623,441	5	8¾	14,759,206	15	11½	24,382,648	1	8½	19,845,705	10	4	4,536,942	11	4¾			
1795 -	9,622,237	8	2	19,702,489	2	11½	29,324,726	11	1½	20,193,074	4	6½	9,131,652	6	7			
1796 -	9,620,466	3	1	34,300,764	17	4	43,921,231	0	5	19,893,520	13	0¾	24,037,710	7	4½			
1797 -	9,618,550	15	0	45,814,275	8	11¾	55,432,826	3	11¾	21,454,728	4	5½	33,978,097	19	6¼			
1798 -	9,614,818	10	11½	36,202,873	13	11½	45,817,692	4	11	23,126,940	7	1	22,690,751	17	10			
1799 -	9,613,055	15	4½	33,279,071	18	5¾	42,892,127	13	10½	31,035,363	2	4¼	11,856,764	11	6			
1800 -	9,611,668	10	8¼	38,166,697	19	7½	47,778,366	10	4¼	35,602,444	8	11½	12,175,922	1	5½			
1801 -	9,609,184	13	5	39,074,449	13	11½	48,684,334	7	4½	34,145,584	4	1	14,538,750	3	3½			
1802 -	9,607,659	0	8	40,690,486	9	6¾	50,298,145	10	2¾	34,113,146	18	4¾	16,184,998	11	10			
1803 -	9,606,509	16	8	29,610,471	2	3¾	39,216,980	18	11½	36,368,149	14	5	2,848,831	4	6¼			
1804 -	6,581,270	13	1¾	28,289,364	9	0¾	37,870,635	2	2	38,609,392	8	6	-	-		738,757	6	4
1805 -	9,580,272	3	1½	37,876,084	9	4½	47,456,356	12	6	46,176,492	19	8	1,279,863	12	10			
1806 -	9,548,920	6	3½	44,765,873	0	10¾	54,314,793	7	2	50,897,706	5	10½	3,417,087	1	3¾			
1807 -	9,538,508	1	7½	44,485,499	7	0	55,024,007	8	7½	55,796,086	8	2	-	-		772,078	19	6¾
1808 -	9,524,724	1	5½	43,970,956	9	8	53,495,680	11	1½	59,339,321	19	4½	-	-		5,843,641	8	2¾
1809 -	9,104,238	8	7	49,821,335	7	0	58,925,573	15	7	62,498,191	9	7¾	-	-		3,572,617	14	0¾
1810 -	9,103,879	7	3	52,274,730	5	0½	61,378,109	12	3½	63,719,400	18	11	-	-		2,341,291	6	7½
1811 -	9,102,480	17	2½	52,551,395	4	3¾	61,653,976	1	6	67,144,542	18	4½	-	-		5,490,566	16	10½
1812 -	9,101,981	10	11½	58,644,377	8	3½	67,746,308	19	2¾	65,173,545	12	8¼	2,574,763	6	6			
1813	9,101,399	7	7½	60,604,064	7	7½	69,705,463	15	3	65,037,850	1	7	4,667,613	13	8			
1814	9,100,154	8	1	77,406,919	8	6	86,507,073	16	7	68,748,363	6	3	17,758,710	10	4			
1815	9,098,917	16	4½	76,227,766	18	10	85,326,634	15	2½	71,134,508	2	2½	14,192,181	12	11¾			
1816	9,098,046	6	10½	60,559,275	15	11½	69,657,322	2	9¾	72,210,512	15	7½	-	-		2,553,090	12	9½
1817	9,090,000	0	0	31,907,673	8	4	40,997,673	8	4	62,264,546	12	2½	-	-		21,266,873	3	10½
	235,446,723	16	8¾	1,059,658,211	8	1	1,295,104,935	4	9¾	1,143,777,928	18	0½	195,870,641	12	10½	44,543,635	1	1
							Deduct Excess of Revenue			-	-		44,543,635	1	1			
							Excess of Expenditure over Revenue			-			151,327,006	11	9½			

* We inserted a similar Account in an article in the Edinburgh Review for October, 1823; but in that instance we were obliged to depend on statements which turned out to be, in some respects, erroneous, so that our conclusions were vitiated in a corresponding degree. But the above table may be safely depended upon: it was prepared in 1830 (with the exception of the last year) from official sources for the Finance Committee, of which Sir Henry Parnell was chairman, and is given in his "Financial Reform." The line for the year ending 5th of January, 1817, has been added from the same sources, with the exception of the first item in it, which is an estimate only, but which cannot possibly involve any sensible error, none, in fact, that could affect, in any degree, the results deduced from it.

The results of this table will probably be thought not a little curious. It shows that the total expenditure of the country on account of internal government, colonies, the war, and the debt contracted previously to 1793, from 1793 to 1816, both inclusive, was only 151,327,007*l.* greater than the revenue actually derived from taxes during that period. It further appears that this deficit principally took place during the first ten years of the war; and that, but for the interest of the debt contracted to meet the deficit then incurred, the revenue in several of the latter years of the war would have considerably exceeded the expenditure. It is difficult to say what portion of the expenditure of the first period might have been provided for by an increase of taxation, had a sufficiently vigorous effort been made with that object. But, though we are inclined to dissent from those who think that it might have been wholly provided for in that way, there are not, we apprehend, any good reasons for doubting that the revenue raised by taxation might have been very materially increased. And had only half the deficiency been made good by additional taxes, it would, by proportionally diminishing the amount of the loans, and enabling them, to be negotiated on preferable terms, have been of singular advantage; and would, by lessening the necessity for further loans, have reduced the debt contracted during the war to less than half its actual amount.

We should, however, convey a false impression to our readers, if we led them to suppose that all the immense sums that were borrowed during the war, exclusively of the above sum of 151,327,007*l.*, were absolutely lost or wasted. Though the funding system encourages waste and profusion, it is not so bad as this. By not making the public provide the 4,536,943*l.* of deficient revenue in 1793, the 9,131,652*l.* deficient in 1794, &c., these sums were left in their hands to be employed as capital in producing additional wealth. And if we suppose they could have lived without these sums, we must, in fairly testing the operation of the system, also suppose that they accumulated them at compound interest during

the whole period of the war; and compare their amount, when so accumulated, with the sums borrowed during the same period. But, for the same reasons on which it is supposed that the public saved the sums and their accumulations at compound interest, left in their hands by the operation of the funding system when the revenue was deficient, we must suppose that they lost the sums with their accumulations in those years in which, but for the funding system, the revenue would have exceeded the expenditure; so that the difference between these two sums when so accumulated will be the sum to be compared with the debt contracted. Now it appears that the balances of expenditure over income in column 5 of the previous table, when accumulated at 5 per cent. compound interest, amounted, on the 5th of January, 1817, to 435,881,999*l.*; while the balances of revenue over expenditure, in column 6, calculated in the same way, amounted at the same period to 57,930,485*l.*; and deducting the one of these sums from the other, we have 377,951,514*l.* for the amount of the capitals and their accumulations at compound interest which the adoption of the funding system left in the pockets of the public over what would have been taken from them, had the supplies been raised within the year by a corresponding increase of taxation.

It appears, however, from the subjoined statement (p. 471, deduced from the Parliamentary Paper No. 145, Sess. 1822), that in the interval between 1794 and 1816, both included, government borrowed in all 584,874,557*l.*, of which sum 188,522,350*l.* was transferred to the Commissioners of the Sinking Fund, leaving 396,352,207*l.* for the amount of the sums borrowed to defray the expenses of the late war, exclusive of an additional issue of 33,289,300*l.* of Exchequer Bills, making in all the sum of 429,641,507*l.*

But we have already seen that the entire amount of the sums which the adoption of the funding system left in the pockets of the public, over what would have been taken out of

them, had the supplies been raised within the year, with their accumulations at 5 per cent. compound interest, amounted to 377,951,514*l.*; and this sum being deducted from the above sum of 429,641,507*l.*, raised by funding and issuing Exchequer Bills, leaves a balance of 51,689,993*l.* for the nett amount of the direct surplus expenditure occasioned by funding over what would have been expended had the supplies been raised within the year! We are not aware that any good objection can be made to these statements. They are all deduced from official returns: the calculations have been carefully checked, and the principle on which they are bottomed is most favourable for the funding system. And yet they show (or rather demonstrate) that, exclusive of its other mischievous influences,—of the profusion and contempt of economy, which are its immediate, and interminable and heavy taxes, which are its ultimate results,—it occasioned during the late war, by means of premiums on loans and otherwise, a special sacrifice of about *fifty-two* millions sterling! This experience should not be thrown away. We have stated that it is more than doubtful whether funding could have been dispensed with during the earlier part of the war. But, no doubt, the amount of revenue from 1792 to 1803 might have been materially augmented by resorting to house and income taxes; and the statement now made shows the immense sacrifice the public has had to sustain in the end for the temporary convenience afforded by carrying funding to the extreme to which it was then carried.

It is certainly true, as will be immediately shown, that the inconveniences naturally incident to the system have been greatly aggravated by the objectionable method in which the loans contracted during the American and late French wars were funded. But loans, though effected in the best possible mode, should always be regarded as an extraordinary, or rather as a *dernier ressort*. The heir of an entailed estate who makes the issue of post-obit bonds an habitual source

of revenue, is not really more short-sighted and improvident than ministers who resort to loans to supply such portions of the public expenditure as may be defrayed by taxation.

It may, perhaps, be said that however large the amount of our debt, it has been sufficiently shown in the course of these inquiries, that the increase of the taxes imposed to defray the interest has operated as a powerful spur to industry and economy, and that the probability is that the capital of the country is not at this moment materially different from what it would have been had the American war and the late French war never occurred. But though such is, most probably, the case, the inconveniences attending the magnitude of the debt are notwithstanding of a very formidable description. It occasions the imposition of taxes on various leading articles and even on income; and though it be true that our means of paying these taxes have proportionally increased, we are, for the most part, alive only to the sacrifice, and forget altogether the increased ability to bear it. We also, as already seen, contrast our taxes with those of other countries, and in the event of the latter being lower, individuals are tempted to become absentees; while the low rate of profit, which is in part, at least, a consequence of taxation, makes capital be employed in foreign investments. The circumstances which have latterly counteracted this tendency of capital to go abroad are of an accidental and evanescent description; and should they become less powerful, its efflux, in large quantities, will probably recommence. This is one of the greatest inconveniences attending the contraction of a large public debt, and the consequent taxation which it occasions. Indeed the fair presumption is, that if our manufacturing superiority be at any time seriously compromised by the competition of foreigners, they will be found to have been trained, and in great part supported, by English workmen and English capital. It will also most probably be found, should our taxes cease to be so productive as formerly, or should they not increase with the increasing wealth and population of the country, that it is not

because the contributors cannot, but because they will not pay them; because they find on looking around that there are other countries open for their reception in which capital may be more advantageously employed, and to which, consequently, they may be tempted to emigrate. And hence the importance of preventing, in as far as possible, the contraction of a large public debt, in the first instance, and of its substantial reduction should it be contracted.

CHAPTER II.

DIFFERENT METHODS OF FUNDING.

In the infancy of the funding system, loans were most commonly raised in anticipation of the produce of certain taxes imposed for a limited number of years; it being supposed that the produce of these taxes for the term for which they were granted would be sufficient to discharge the debt. But these expectations were rarely realized. And as the public necessities required the taxes to be mortgaged again for new loans, often before their former term was expired, they were prolonged from time to time, and were at last, in almost every instance, rendered perpetual.

The statutory rate of interest at the commencement of the funding system, was six per cent., the reduction to five per cent. not having taken place till 1714. But, owing to the supposed insecurity of the revolutionary establishment, the rate of interest paid on loans to the public, previously to the accession of George II., was generally much higher than the legal rate. In 1692, an attempt was made to borrow a million upon annuities for ninety-nine years, for which ten per cent. was to be given for eight years, and seven per cent. afterwards, with the benefit of survivorship during the lives of the nominees of those who contributed; but so low was the credit of Government at that period, that only 881,000*l.*

could be procured even on these extravagant terms. None of the loans negotiated during the wars in the reign af William III. were effected at less than eight per cent.; and the interest was, in many instances, as in the one just mentioned, a good deal higher. The sums borrowed during the reign of Queen Anne were also obtained on very expensive terms.

Since the reign of Queen Anne very little money has been borrowed either upon annuities for terms of years, or upon those for lives. The practice of granting perpetual annuities, or annuities redeemable only on payment of the principal, has long superseded every other. And notwithstanding the objections that have been urged against this practice, by Dr. Price and others, it appears to be the best hitherto proposed. To show the principle on which the objections to it are founded, let us suppose that an annuity is granted for a hundred years. This annuity, according to the principles on which such computations are founded, is nearly equivalent to an annuity for ever, its value at four per cent. being twenty-four and a half years' purchase, and, therefore, only half a year's purchase less than its value were it perpetual. Supposing, therefore, that the public were able to borrow at four per cent. on annuities for ever, it should not give above 1*s.* 7*d.* per cent. more for money borrowed on annuities terminable in a hundred years. But admitting that it might be obliged to give a quarter or even a half per cent. more, those who advocate this system contend, that the additional burdens which would thus be imposed would hardly be sensible; and that the privations caused by them would, in any view of the matter, be inconsiderable, compared with the advantages that would result from the necessary and gradual annihilation of the debt.

"By such a method of raising money," says Dr. Price, "the expense of one war would, in time, come to be always discharged before a new war commenced; and it would be impossible that a state should ever have upon it, at one time,

the expense of many years; or any larger debts than could be contracted within the limited period of the annuities; and consequently it would enjoy the invaluable privilege of being rendered, in some degree, independent of the management of its finances by unskilful or unfaithful servants."*

But several important considerations have been left out of view in this statement. In the first place, a considerably larger payment on account of interest would be required, were loans made on such annuities, than Dr. Price supposes. It is true that an annuity for 100 years is really worth nearly as much as a perpetuity, and should, therefore, one should think, form nearly as desirable a security to the lender. But the decisions of mankind, with respect to money matters, are but rarely governed by purely mathematical principles. The trustees of public bodies, and all those persons who buy into the funds in order to make family settlements, the prospective clauses of which frequently refer to a distant futurity, would evidently feel disinclined to purchase into a fund whose value was continually diminishing; and such persons form a very large proportion of the holders of stock. And hence it is clear, that although the real value of an annuity for a long term of years may be about the same with that of a perpetual annuity, it will hardly ever find nearly the same number of purchasers. Even the subscribers to a new loan, who generally mean to sell their subscription as soon as possible, invariably prefer a perpetual annuity, redeemable by Parliament, to an irredeemable annuity for a long term of years, of about an equal amount. The value of the former being always the same, or very nearly the same, it makes a more convenient transferrable stock than the latter.

But, in the second place, though it were true that terminable annuities were as readily negotiable at their true value as interminable ones, we should not, therefore, be disposed to recommend their adoption. No government should ever coun-

* Observations on Reversionary Payments, 7th ed. i. 275.

tenance any scheme of public finance, or indeed any institution of any sort, that has any tendency to weaken the providence and forethought of its subjects. And such, we apprehend would be the effect of the adoption of any scheme of funding on terminable annuities, whether for a specified number of years, or for lives. The purchaser of an annuity terminating with his life, is, in almost every instance, desirous, not only of consuming the interest of his capital, but also the capital itself. The same principle most commonly influences, though not, perhaps, to the same extent, the greater number of the purchasers of annuities terminable at specified and not very distant periods. And if the granting of such annuities were countenanced by government, and they were established on a large scale, it seems natural to conclude that the odium which now attaches to such investments would be gradually weakened, and that numbers of individuals would be tempted by the immediate addition it would make to their incomes, to vest their capitals either in life annuities, or in annuities which they supposed would most likely terminate nearly at the same period as their lives. A practice of this sort is suitable only to persons of slender means, and with no near connections, and were it confined to them there would be nothing to object to in it. But if it should ever make any considerable progress among the bulk of the community, it would be productive of the worst consequences, both in a moral and economical point of view. A person whose income is derived from an annuity payable by the state, can in great measure dispense with that good opinion of his neighbours, which is so essential to individuals engaged in professional or industrial employments; and if he be the holder of an annuity for life, or for a term of years, and is anxious only to consume the whole of his fortune without caring about those who are to come after him, he ceases, in great measure, to feel any interest in the public welfare, and becomes wholly selfish in the literal and degrading sense of the term.

Hence it is that few things would be more injurious

than the establishment of any system in the management of the finances of a great nation, that might tend to generate and spread those purely selfish and unsocial passions which lead individuals to consider their own interests as everything, and those of others as nothing. No doubt a considerable time would most probably elapse in a country where the feelings of society are so much opposed to this selfish system as in England, before any change of circumstances could enable it to obtain any very considerable footing. But, though insensible at first, its influence might ultimately become alike extensive and powerful. And if so great a stimulus were given to it as would result from the conversion of any considerable part of the national debt into annuities terminable in periods of moderate duration, its introduction might be more rapid than it is perhaps easy to imagine.

A large proportion of the present holders of funded property consists of individuals not engaged in business, who subsist either wholly or partly on the dividends, and leave the principal to their children or relations. But if the principal belonging to these persons were turned into a terminable annuity, it is plain that at its termination they, or their heirs, would be left destitute, unless they had effected an insurance with some society, or accumulated in some way or other, such a portion of their annuity as might suffice to yield a corresponding revenue when it terminated. But these are all operations that require an acquaintance with business, and a peculiar combination of circumstances, to enable them to be carried into effect; and it appears obvious that very many holders of funded property would, from thoughtlessness, want of opportunity, want of information, and a thousand other causes, either never think of the matter at all, or be induced indefinitely to postpone it. In this way the system would probably be introduced with greater rapidity than we might at first be led to suppose; and, as it obviously strikes at the very foundation of the principle of accumulation, and of all those habits which are most conducive to the interests of

society, it should not receive any countenance, direct or indirect, from Government.

For these reasons we incline to doubt the policy of the Acts 48 Geo. III. cap. 142, 4 Geo. IV. cap. 22, and 3 & 4 Will. IV. cap. 14., &c., which authorize the Commissioners of the National Debt to grant annuities for lives, or for terms of years, on receiving payment either in money or stock, according to rates specified in tables approved by the Treasury. At the outset Government lost very large sums by this project, from their granting annuities on advanced lives at too low rates. This error has, however, been rectified, and the annuities are now sold at their fair value. Latterly the amount of terminable annuities has been declining, so that it may probably be presumed the system has attained its maximum. And though, speaking generally, the purchase of life annuities should be discouraged, there are a few cases in which they are a legitimate and advantageous resource; and should the system not make any greater way than it has done, it may not, in a practical point of view, be worth objecting to.

Annuities for lives have sometimes been granted upon schemes called Tontines, from Tonti, an Italian banker, by whom they were first proposed. In tontines the benefit of survivorship is allowed. The subscribers usually appoint nominees, who are divided into classes according to their ages, a proportional annuity being assigned to each; and when any of the lives fail, the amount of the disengaged annuity is divided amongst the survivors so long as any remain, or until the annuity payable to each amounts to a large sum, according to the terms of the scheme.

More money should be raised upon an equal revenue appropriated to a tontine annuity, than upon annuities for separate lives; inasmuch as an annuity with a right of survivorship is worth more than an equal annuity for a single life. But, notwithstanding this circumstance, tontines seem to be about the very worst means that have been devised for

raising money. They are, in fact, a species of lotteries. And besides having the same influence in leading people to convert their capital into revenue as annuities for lives, or annuities terminable at specified periods, they contribute powerfully to diffuse a taste for gambling. Life annuities are also, in almost every respect, more advantageous for the holders, inasmuch as they yield a constant and equal revenue from the outset; whereas, in tontines, an individual gets at first only a comparatively small revenue, and trusts chiefly to the chance, which, in most cases, must prove unfavourable, of out-living the other subscribers, and attaining to ease and opulence in old age.

In addition to these objections to tontines, it may be observed, that it is very difficult to establish them on sound principles, or according to the rules deduced from the theory of probabilities. The authors of such schemes are principally desirous of presenting them under the most attractive forms. The different classes of subscribers are not arranged with sufficient care, so that some individuals have an undue advantage over others. To establish a fair tontine, it would be indispensable to class together none but individuals of the same age, and who were placed under nearly the same circumstances; and to enact, that the entire annuity of each class should always go to the last survivor. But it would be impossible to establish any extensive tontine upon such principles, that is, on principles that would render the chances of the subscribers equal, and fully worth the sum paid for them.*

A very large proportion of the old public debt of France was raised upon tontines; most of which were contracted for in the most improvident manner on the part of the public, and on the most unequal terms on the part of the subscribers. And the fact that, previously to the Revolution, a very large

* Lacroix, Traité Elémentaire des Probabilités, ed. 2nde, p. 235.

proportion of the people of France evinced the strongest desire to embark in these schemes, or to convert their capitals into life annuities, dependent on contingencies, and that a spirit of gambling had been widely diffused amongst the lower and middle classes, is a practical proof of the correctness of the conclusions we have already drawn on general principles; and shows the extreme impolicy of establishing any system which may either teach individuals to disregard the interest of their heirs, or to trust to combinations of chances for the acquisition of that opulence, which, speaking generally, can only spring from industry and economy. Fortunately, however, this pernicious practice of borrowing upon tontines has been discontinued since the Revolution; and funding is now effected in France as in England, by granting interminable annuities redeemable at pleasure.

Tontines have been very seldom attempted in England. The last undertaken in 1789–90, is said to have proved a losing concern to the contractors.

Presuming, therefore, that the advantage of funding in perpetual annuities, redeemable at pleasure on payment of the principal, has been sufficiently established, we have next to inquire into the best method of constituting these annuities.

The credit of nations, like that of individuals, is liable to vary from the operation of many different causes;* and, though their credit were uniform, they would necessarily experience more or less difficulty in obtaining supplies upon loan, according to variations in the amount of floating capital, and the facilities for its profitable employment in industrial undertakings. It is obviously impossible, therefore, that public loans can always be negotiated on the same terms; and, in point of fact, the terms are perpetually varying.

But in contracting for a loan, there are only two elements

* *Pro tempore, pro spe, pro commodo, minuitur eorum pretium atque augescit.*—Aretin.

that can be varied—the principal and the interest. Suppose that it has been usual for individuals to make advances to Government on receiving 100*l.* of four per cent. stock for every 100*l.* advanced; and suppose further, that from some cause or other, money can no longer be obtained on these terms. Under such circumstances, two courses are open, viz. (1), To give the lender a right to a greater amount of stock than the money he actually advances amounts to, and to allow him interest on such stock; or (2), To restrict the stock created, in the lender's favour, to the amount of the loan, and to make the required bonus by raising the rate of interest. The first of these plans is that which has been usually followed in this country; though it appears difficult to imagine that any preference was ever less deserved.*

The system of funding to a greater extent than the money actually borrowed amounted to, began in the reign of Queen Anne; but it was not carried to any great extent till the war terminated by the treaty of Aix-la-Chapelle. About that time, however, the public debt began to be considered in the light of a permanent or irredeemable incumbrance; and it was, therefore, thought better to dispose of variable quantities of stock bearing an uniform rate of interest, according to the state of the market at the time, than to fund the same principal sums at different rates of interest. At first this practice was infinitely less objectionable than it has since become. The price of stocks, during the reigns of George I. and George II., did not diverge materially from par; and until the rebellion of 1745, the three per cents had never fallen below 89. But the same practice has been pursued ever since, even when the three per cents have sold for little more than half their nominal value. It consequently follows, were any considerable progress to be made now or at any future period in

* Mr. Newmarch has maintained the contrary opinion, in a tract published in 1855, on the loans raised by Mr. Pitt, during the wars from 1793 to 1801. But though his reasonings evince his ingenuity, they are quite insufficient to establish the truth of his theory.

paying off the public debt, that the three per cents would immediately rise to about par; and unless the holders were to consent to accept a stock bearing a lower rate of interest, the public would have to pay 100*l.*, when perhaps they only received 50*l.* or 60*l.* or 70*l.*

It must, however, be admitted that the plan of funding a large capital in a stock bearing a low interest, has some advantage, though of a limited description, over the plan of funding a less capital in a stock bearing a high interest. The fluctuations in the price of the former species of stock being more considerable than in the latter, it affords a better field for speculation. And the confidence placed by individuals in their own sagacity and good fortune, naturally disposes them to buy that species of stock which affords what they conceive to be the best opportunities for increasing their capital. The circumstances now stated are commonly supposed to account for the fact that the late five per cent. stock always bore a lower relative value than the three per cents; or, which is the same thing, that a given sum of money applied to purchase five per cents, always yielded a higher rate of interest than if it had been applied to purchase three per cents. But although the above-mentioned circumstances must, undoubtedly, have had some influence in raising the value of the three per cents, as compared with any other species of stock yielding a higher interest, it will be immediately seen that the discrepancy in question was mainly owing to an entirely different circumstance.

Mr. Ricardo seems to have inclined to the opinion that the increased charge for interest, had the loans been made for an equivalent amount of stock, would have equalled, or perhaps exceeded the advantage gained by the reduction of the principal.* There are really, however, no good or tenable grounds for this conclusion. If, indeed the public debt is to be

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* Article Funding System, in Encyclopædia Britannica.

regarded in the light of a permanent burden; and if no efforts are ever to be made to lessen its amount, either by the operation of a really efficient sinking fund, or any other means; then it would seem that the payment on account of interest is the only thing that needs be attended to, and that the magnitude of the principal must be a matter of complete indifference. But even when considered in this point of view, it will be found that whatever relief may be gained in the payment of interest by funding a larger capital than the amount of the money borrowed, is only temporary and inconsiderable; and that it is sure to entail in the end an incomparably greater permanent burden on the country.

In the first place, though it be true, as has been previously stated, that four and five per cent. stocks have always borne a lower relative value in the market than three per cent. stock, it is not true that this lower value has been either wholly, or even principally, caused by the greater scope for speculation afforded by the three per cents. Those who held, or who speculated in five per cent. stock were aware that, in the event of its rising to par, as it should have done when the three per cents rose to 60, it would be in the power of the Government to reduce the interest on it, an event which actually took place, and from the specific cause now assigned, in 1822. Hence it is plain that at least 1 per cent., or rather 1½ per cent., of the dividends payable on five per cent. stock should only be considered in the light of a short annuity. Any given annuity derived from the five per cents was not, therefore, really worth so much as an equal annuity derived from the three per cents; nor did they, from their liability to be reduced, when the three per cents were above 60, constitute so advantageous a fund in which to make investments. This same principle held, also, in the case of the four and three and a half per cents; their relative value being always somewhat depressed, as compared with the three per cents, occasioned by the greater risk of the dividend being reduced.

It is also, in the second place, abundantly obvious that a small increase of interest must be sufficient to balance the chance that funding in a stock at low interest gives of increasing the stockholder's capital. The additional rate of interest begins to accrue from the moment that the loan is bargained for; whereas the chances of a rise of the funds depend on the events and termination of the war, on the state of the revenue and the country when it is terminated, and a thousand other contingencies. The great majority of those who subscribe to loans never think of such remote contingencies, but look only to the circumstances of the moment. Indeed, persons well versed in such subjects have confidently affirmed that an addition of from $\frac{1}{4}$ to $\frac{1}{2}$ per cent. of interest to the rate actually bargained for, would have more than enabled Government to fund all the loans contracted during the late war, without any artificial increase of capital.

The grand recommendation of the plan of bargaining for loans, by offering such a rate of interest as may be required to procure them at the time, without creating any fictitious capital, consists in the facility which it affords of reducing the charge on their account during peace. Under the system of increasing the interest on loans, by funding a greater capital than is actually received by Government, the country may be prevented from profiting by the means which peace almost invariably brings along with it, of raising money at a less cost. Thus, if a loan had been made during the French war and an equivalent amount of stock had been created, bearing 5 or 6 per cent. interest, it would have been in the power of Government, soon after the peace, to reduce the charge, on account of such loan, to 4, and thereafter to 3 or at most $3\frac{1}{2}$ per cent., by offering to pay off the principal, in the event of the holders refusing to agree to the reduction. But under the system that has unluckily been adopted, of funding a large fictitious capital at a low rate of interest, the total charge for interest is rendered very near as high as it would have been, had no fictitious capital been created, while it has become

impossible to reduce it, without being previously in a condition to pay off the fictitiously increased capital at par.

The statements now made, and the inferences drawn from them, are so obvious as hardly to require any confirmation. It may, however, be worth while to mention, that they are not advanced on any speculative or doubtful hypothesis, but that they rest on the solid and unassailable ground of fact and experiment. The additions made during the reigns of William III. and Anne to the principal of the public debt, over and above the sums borrowed, were of comparatively trifling amount; and hence Sir Robert Walpole, by availing himself of the facility with which money was obtainable after the treaty of Utrecht, was enabled materially to reduce the annual charge on account of interest; which was still further reduced in 1727 and 1749 (see *post*).

But in spite of the practical and decisive proofs that had thus been afforded of the advantage of funding a smaller amount of capital in a stock bearing a high rate of interest, in preference to funding a larger amount of capital in a stock bearing a low rate of interest, the latter plan has been almost uniformly followed since the commencement of the American war; and we are, in consequence compelled to pay, on the loans so contracted, the same rate of interest during peace, that was sufficient to cause the subscribers to come forward during the agitation and alarm incident to a protracted and doubtful contest. We shall endeavour, in as few words as possible, to make our readers acquainted with the practical operation and real effect of this system.

In 1781 a loan of 12,000,000*l.* was negotiated; and for this sum Government gave 18,000,000*l.* of three per cent. stock; and 3,000,000*l.* of four per cent. stock. On the whole, therefore, 660,000*l.* of interest was paid for this loan, being rather more than 5½ per cent., and a fictitious capital was created in favour of the lenders of no less than *nine* millions! But it is obvious that, had this loan been negotiated without any in-

crease of capital, at 5¾ or even 6 per cent., the charge on its account might have been reduced, in the course of half-a-dozen years to 3 or 3½ per cent., on the 12,000,000*l.* actually borrowed; whereas, owing to the mode in which it was contracted, nothing could be deducted from the annual charge until after the prices of the three and four per cents rose above par, without being previously prepared to offer the holders twenty-one millions for the twelve they had originally advanced! And as this has not yet occurred with the three per cents, we are still in 1862 burdened with a payment of about 5 per cent. on account of this loan!

Nothing, we are sorry to say, is more easy than to point out instances of this sort, in which the public interests have been sacrificed, not intentionally, indeed, but through ignorance, or a desire to grasp at an immediate advantage, in the most extraordinary manner. The very next loan negotiated by Lord North, in 1782, was for 13,500,000*l.*, for which Government gave 13,500,000*l.* three per cents, and 6,750,000*l.* four per cents., exclusive of an annuity of 17*s.* 6*d.* for every 100*l.* advanced for 78 years. The country was, in this way, bound to pay an interest of 793,125*l.* a year, inclusive of the annuity, being at the rate of 5*l.* 16*s.* 10*d.* per cent.; and it was rendered impossible to reduce this heavy charge at any future period, except under the contingency alluded to above, without previously consenting to sacrifice 6,750,000*l.*

But it is unnecessary to go back to the American war for proofs of the extreme inexpediency of funding in this manner. Most of the loans negotiated during the late war were funded in the same way, and some of them on still more ruinous terms on the part of the public. Thus, according to the conditions on which a loan of 18,000,000*l.* was bargained for in 1795, a capital of 18,000,000*l.* three per cent. stock, and 6,000,000*l.* four per cents, exclusive of a long annuity of 9*s.* 6*d.* per cent., was assigned to the subscribers. But the terms of the loan of 17,000,000*l.*, negotiated in 1798, were

still more extravagant; for every 100*l.* advanced entitled the lender to 200*l.* three per cent. stock, and an annuity of 4*s.* 11*d.* per cent. for 62¾ years; or, in other words, for every 100*l.* advanced, Government bound the country to pay an annual interest of 6 per cent., exclusive of the long annuity! We admit that this was a period of unusual difficulty; that the urgency of the crisis required that higher terms than ordinary should be offered to the subscribers; and no just objection could have been made to granting them whatever rate of interest might have been required to induce them to come forward. This, too, was in fact really done; but owing to the way in which it was done, by granting the subscribers three per cent. stock to *double* the amount of the money they advanced, the public was effectually prevented from so much as attempting to reduce the annual charge on account of this loan until the rate of interest for which new loans might be contracted should be under 3 per cent.! And we are now, in the forty-seventh year of peace, paying 6 per cent. on this loan; whereas, had it been funded in a six and a quarter or six and a half per cent. stock, the interest might have been reduced, forty years ago, to 4 or 4½ per cent., and would have been reduced in 1854 to 3 per cent. or to half its present amount. It is probable that those who negotiated the loan of 1798 never reflected on these things, and it is indeed most likely that they believed that the interest they contracted to pay would be the minimum rate in all time to come; for otherwise it is hardly possible to imagine that they should have made the reduction of the interest contingent on what must then have appeared so very unlikely an event as the rise of the three per cents to above par.

But no experience of the pernicious effects of this system, and no change of circumstances, were sufficient to induce our finance ministers to abandon it. Accordingly, when a loan of no less than 36,000,000*l.* was bargained for in 1815, it was stipulated that every subscriber of 100*l.* should be entitled to 174*l.* three per cent. stock, and 10*l.* four per cent. stock,

yielding together an interest of 5*l.* 12*s.* 4*d.* per cent. The improvidence of this transaction is glaringly obvious. There can be no manner of doubt that an addition of ¼ or ½ per cent. to the interest would have procured this loan without any increase of principal; but supposing that 1 per cent. additional interest had been required, instead of being very probably subjected to a constant payment, in all time to come, of above 5*l.* for every 100*l.* advanced, we should have had 6*l.*, or 6*l.* 10*s.*, to pay for four or five years, and 3*l.*, or at most 3*l.* 10*s.*, afterwards.

This, we beg our readers to remark, is not in any respect hypothetical reasoning; for in the very same year in which the loan now referred to was negotiated, upwards of 18,000,000*l.* of Exchequer bills were funded at the rate of 117*l.* five per cent. stock for every 100*l.*, affording consequently an interest of 5*l.* 17*s.* per cent.; being only 4*s.* 8*d.* per cent.* more than was paid for the loan of that year, though the subscribers to the latter had 84*l.* of artificial capital created for every 100*l.* advanced, and the holders of Exchequer bills only 17*l.* But this is not all. In consequence of the measures adopted in 1822 for reducing the interest of the stock formed out of the five per cents, and

* This, however, as Dr. Hamilton has observed, represents the difference of interest of an equal sum funded in the three and five per cents, as greater than it really is. In loans the public pay the whole interest for the year in which the loan is contracted, though it is paid by instalments, or, if otherwise, discount is allowed. When a loan is made in five per cent. stock, this advantage is fully equivalent to an additional capital of 50*s.* on every 100*l.* advanced, or to a constant payment of 2*s.* 6*d.* a year. But as no such advantage is gained in the funding of bills, it follows that this sum ought to be deducted from the greater interest (4*s.* 8*d.* per cent.) paid on the capital funded in the five per cents; so that it is plain that the payment of so small a sum as 2*s.* 6*d.* per cent. of additional interest in the meantime, was all that was required, in the instance referred to in the text, to balance an artificial capital of 67*l.* (184*l.*—117*l.*) on every 100*l.* advanced; and at the same time, to secure to the public the power of reducing the interest on the loan from 5½ per cent. to 3½ at the termination of the war! And yet our financiers refused to purchase such advantages at such a cost.

those adopted in 1834 and 1844, the charge on account of the Exchequer bills funded in that stock in 1815 cannot now materially exceed 3 per cent.; and if, instead of raising the principal to 117*l.*, a six per cent. stock had been created, the charge would have been reduced in 1854 to precisely 3 per cent.

We have not entered into these details in the view of uselessly reflecting upon measures long since past, and which, however erroneous, can be no longer be amended, but in the view of guarding against their repetition. The perpetual peace of the Abbé de St. Pierre is not very likely ever to be realized. We may lay our account with being every now and then involved in war; and whether indispensable or not, there can be little doubt that loans will then be resorted to. And it is to be hoped that the experience we have had of the disadvantage of funding fictitious capitals in a stock bearing a low rate of interest may be sufficient to hinder the practice from being resorted to. In most instances it is productive of but little immediate advantage, while it entails great and all but endless loss. We beg to subjoin an Account of the Loans contracted in each year from 1793 to 1816, both inclusive (see p. 471).

Many of those who have argued against the practice of funding have particularly deprecated borrowing from foreigners. Raynal contends that the bargaining for loans from the latter is in effect selling to them one or more provinces; and he doubts whether it would not be more rational to deliver up the soil than to cultivate it for their use![*] Blackstone†, Hume‡, and Montesquieu§, though they do not carry their objections to this ridiculous extreme, join, notwithstanding, in condemning this practice. But a more unprejudiced inquiry has shown the fallacy of these objections

* Histoire Philosophique, iv. 663. ed. 1788.

† Commentaries, i. 320. ‡ Essay on Public Credit.

§ Esprit des Loix, liv. xxii. c. 17.

ACCOUNT of LOANS contracted in each Year fron. 1793 to 1816, both inclusive; of the Amount of all sorts of Stock created on account of these Loans; of the total Interest or Dividend payable on them; of the Portions of said Loans paid to the Commissioners of the Sinking Fund; of the Amount of all sorts of Stock purchased by said Commissioners; and of the Amount of the Dividends on said Stock.—(Compiled from the Parliamentary Paper No. 145. Sess. 1822.)

Years ending 1st February.	Amount of Loans contracted in each Year.	Amount of Stocks of all kinds created.	Total Annual Charge of Dividends and Annuities on such Stock.	Account of the Portions of the Loans paid to the Commissioners of Sinking Fund.	Amount of all Funds or Stocks of every Description purchased by the Commissioners of Sinking Fund.	Amount of Dividend on Stock purchased by Commissioners.
	£	£	£	£	£	£
1794 -	4,500,000	6,250,000	187,500	1,630,615	2,174,405	65,232
1795 -	12,907,451	15,676,526	599,118	1,872,200	2,804,945	84,148
1796 -	42,090,646	55,539,031	2,132,369	2,143,597	3,083,455	97,574
1797 -	42,756,196	56,945,569	2,274,523	2,639,724	4,390,670	131,720
1798 -	14,620,000	29,019,300	935,579	3,361,753	6,716,153	201,485
1799 -	18,000,000	35,624,250	1,105,602	3,984,253	7,858,109	235,743
1800 -	12,500,000	21,875,000	656,250	4,288,209	7,221,338	216,640
1801 -	18,500,000	29,045,000	871,350	4,620,479	7,315,002	219,450
1802 -	24,410,450	55,954,312	1,775,530	5,117,723	8,091,454	249,594
1803 -	23,000,000	30,351,375	910,541	5,685,542	7,738,421	246,257
1804 -	10,000,000	16,000,000	512,083	6,018,179	10,527,243	315,817
1805 -	10,000,000	18,200,000	546,000	6,521,394	11,395,692	344,711
1806 -	21,526,700	39,543,126	1,140,632	7,181,482	12,234,064	367,022
1807 -	18,000,000	29,880,000	896,400	7,829,589	12,807,070	384,212
1808 -	12,200,000	18,373,200	577,060	8,908,674	14,171,407	425,142
1809 -	12,000,000	18,693,253	587,744	9,555,854	13,965,824	435,758
1810 -	19,532,100	22,173,645	947,312	10,170,105	14,352,771	453,923
1811 -	16,311,000	19,811,107	765,955	10,813,017	15,659,194	481,443
1812 -	24,000,000	29,244,712	1,191,736	11,543,881	18,147,245	544,417
1813 -	27,871,925	40,743,031	1,486,272	12,439,632	21,120,442	633,253
1814 -	58,763,100	93,731,523	3,230,600	14,181,006	24,120,867	723,626
1815 -	18,500,000	24,694,830	851,835	12,748,232	19,149,684	574,490
1816 -	45,135,589	70,333,403	2,577,820	11,902,051	20,280,098	608,403
1817 -	3,000,000	3,000,000	90,000	11,491,670	18,515,556	555,537
	520,124,557	776,257,193	29,849,814	176,648,860	283,824,109	8,595,597
Loans raised on account of Ireland in Great Britain	64,750,000	103,032,750	3,324,550	11,878,490	19,067,846	572,635
Total Sum raised -	584,874,557	879,289,943	30,174,364	188,522,350	302,911,955	9,168,232
Deduct Sums raised on account of Sinking Fund -	188,522,350	302,911,955	9,168,232			
Balance - -	396,352,207	576,377,988	21,006,132			

If a loan be decided upon, and if it may be obtained from foreigners on more favourable terms than at home, it is certainly most advantageous to transact with them. It is to no purpose to contend that the money borrowed being spent in warlike operations, yields no revenue, while the national income is burdened with the payment of the interest. Had the loan not been obtained from abroad, it must have been raised at home. And it is obvious that though a transaction

of this sort may force an annual payment to be made to a foreign country, it saves at the same time a more than equivalent portion of the capital of the borrowing nation, and gives it the means of easily making the payment. The objection in question is therefore quite untenable; and in the event of a loan being determined upon, sound policy will always dictate that it be negotiated wherever it can be had on the lowest terms, whether at home or abroad.

CHAPTER III.

REDUCTION OF THE NATIONAL DEBT.

Reduction of Interest in 1717, 1727, 1749, 1822, &c.—Sinking Fund.—Assessment on Capital to pay off Principal of Debt.

It has been seen in the preceding chapter that the greater portion of the loans raised during the reigns of William III. and Anne, were negotiated at very high rates of interest. Luckily, however, but little artificial capital was created; so that after the peace of Utrecht, when money became more abundant, and loans could be contracted on more favourable terms, proposals began to be made for reducing the interest of the public debt.* To facilitate this project the statute rate of interest was reduced in 1713, by the 12 Ann. st. II. cap. 16., from 6 to 5 per cent., "without prejudice to parliamentary securities." After this Act had passed, Government effected a loan of 910,000*l.* at 5 per cent.; and it was subsequently

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* It was proposed by various parties to effect this object by taxing the funds. This, however, would have been a gross breach of the public faith. Its impolicy and real character were immediately set in a clear light in two tracts, the first of which, published in 1710, entitled an "Essay on Public Credit," has been ascribed to Harley, Earl of Oxford; the second, an abler and more elaborate treatise, appeared in 1717, and is entitled "A Letter to a Friend on the Inviolable Nature of Public Securities." These works, with others of more importance, are included in a volume of scarce and valuable Tracts on the National Debt and the Sinking Fund, reprinted by Lord Overstone in 1857.

determined to reduce the interest of the debt to that rate. Mr. (afterwards Sir) Robert Walpole, who was then Chancellor of the Exchequer, having secured the co-operation of the Bank and the East India Company, moved in the House of Commons, on the 23d March 1717, a series of resolutions on the subject.* These having been agreed to, intimation was made to the public creditors that the debts of those who did not choose to accept 5 per cent. interest would be paid off. There were but few dissentients. The saving amounted to 324,456*l.* a year, the dividends being reduced from 1,598,602*l.* to 1,274,146*l.* A further saving of about 340,000*l.* a year was effected in 1727, by reducing the interest on the greater portion of the debt from 5 to 4 per cent. and by other transactions with the South Sea Company.

In 1737 the *three* per cents rose to the extraordinary height of 107, or to seven per cent. above par, being the highest elevation which they have hitherto reached. This rise afforded a very favourable opportunity for further reducing the interest payable on the debt, which was strongly recommended by Sir John Barnard, and other members of the House of Commons. But Sir Robert Walpole (for reasons of which no satisfactory explanation has been given) opposed the measure; and when Barnard introduced a bill to carry the reduction into effect, he exerted his influence against it, and procured its rejection. In 1749, however, the reduction of the interest on the greater part of the debt, from four to three per cent., was effected by Mr. Pelham, with the assistance of Sir John Barnard; the consequent saving to the public being about 565,600*l.* a year.†

There were no further reductions of the interest for a

* Walpole resigned immediately after the resolutions were carried. But the scheme was, notwithstanding, successfully carried out. (Tindal's Continuation of Rapin, iv. 534. folio ed.)

† Sinclair's History of the Public Revenue, 3d ed., i. 506. &c.; Cox's Sir Robert Walpole, ii. 406. &c., 8vo. ed.; Considerations on the Proposal for reducing the Interest of the National Debt (by Sir John Barnard), *passim*, &c.

lengthened period, or till 1822. The plan of funding usually adopted in the American and French wars has, as already seen, nearly tied up the hands of Government, and prevented the public from profiting to any great extent, by the facility with which money might have been raised after the peace of 1815, to effect a reduction of the dividends. But, though general during these contests, the practice of funding increased capitals in a three per cent. stock was not universal; and the interest of all that portion of the debt that was funded in other stocks has been progressively reduced in the interval. The first reduction was made in 1822, and the last in 1844. The following table (p.475,) gives a view of the various reductions since 1822, and their results.

It appears from this table, that in 1844, when the 3½ per cent. stock was reduced to 3¼ per cent., a total reduction had been effected between that date and 1822 of 3,051,800*l.* in the annual interest of those portions of the debt funded in stocks bearing a higher interest than three per cent. In October, 1854, when the 3¼ per cent. stock was further reduced to 3 per cent., there was an additional saving of 621,890*l.*, making, in the aggregate, a reduction, since 1822, of 3,673,693*l.* a year in the payments to the public creditor. And had the entire debt contracted since the commencement of the seven years' war been funded without any increase of capital in stocks bearing the interest really payable on the loans, the total reduction, instead of being little more than *three and a half*, would have amounted to about *ten* millions a year!

Funding, like some of the most effective medicines, is a dangerous as well as a powerful resource, and requires to be skilfully administered. But our finance ministers can claim no credit for peculiar expertness or ability in this respect. On the contrary, the previous statements show that we sustain far more injury from the objectionable mode in which the business of funding has been conducted, than from those mischievous influences, inherent in the system itself, which excited the fears of Hume and Smith. The opposition of

A RETURN showing the Results of the Operations undertaken in 1822, 1824, 1825, 1830, 1834, and 1844, for reducing the Charge on account of the National Debt, and the Terms upon which such Reduction was made; also, showing the Annual Interest on the Funded Debt saved thereby.

			Gross Capitals.	Annual Interest.	Annual Interest saved.
			£	£	£
1822	5 per cents reduced to 4 per cents; viz. 105*l.* 4 per cents, for 100*l.* 5 per cents, per 3 Geo. 4. c. 9.	Five per cent. (Navy) annuities Capital	153,423,143		
		Amount of Dissents paid off	2,794,276		
			149,627,867	7,481,393	
		Bonus of 5*l.* per cent. allowed to those who assented	7,481,350		
		Capital 4*l.* per cent.	157,109,217	6,284,368	
	Bank of Ireland Debt at 5 per cent. reduced to 4 per cent. at par, per 3 Geo. 4. c. 26.				1,197,025
		Bank of Ireland Debt, at 5 per cent.	1,153,846	57,692	
		Same Capital, at 4 per cent.	1,153,846	46,153	
					11,539
1824	Old 4 per cents reduced to 3½ per cents at par, 5 Geo. 4. c. 11.	Four per cent. Annuities Capital	76,248,180	3,049,927	
		Same Capital, at 3½ per cent., including 6,149,245*l.* Non-assents, vested in the Commissioners for the Reduction of the National Debt, per 5 Geo. 4. c. 45.	76,248,180	2,668,685	
					381,242
1824 & 1825	5 per cents 1797, reduced to 3 per cents; viz. 138*l.* 6*s.* 8*d.* consolidated 3 per cents for 100*l.* 5 per cents, 57 Geo. 3. c. 10.	Capital at 5 per cent.	1,013,668		
		Deduct Dissents paid off	41,011		
			972,657	48,632	
		Capital at 3 per cent.	1,296,876	38,906	
					9,726
1830	4 per cents exchanged for 100*l.* of 3½ per cents, or 70*l.* of 5 per cents, per 11 Geo. 4. c. 13.	4 per cent. Annuities, formerly Navy, 5 per cents Capital	153,671,091		
		Amount of Dissents paid off	2,880,915		
			150,790,176	6,031,607	
			Interest:		
		Which was exchanged for 150,119,600*l.*, 3*l.* 10*s.* per cent. Annuities	5,254,186		
		469,398*l.*, 5*l.* per cent. Annuities	23,469		
				5,277,655	
					753,952
1834	4 per cents 1826 reduced to 3½ per cents at par, per 4 & 5 Will. 4. c. 31.	4 per cent. Annuities, created in 1826 Capital	10,622,911	424,916	
		Same Capital, at 3*l.* 10*s.* per cent., including 4,133,721*l.* Dissents, vested in Commissioners for the reduction of the National Debt on account of the Fund for Banks for Savings	10,622,911	371,991	
					53,115
1841	Bank of Ireland Debts, at 5 and 4 per cent. reduced to 3½ per cent., per 3 & 4 Vict. c. 75. and Warrant of Treasury, 30 January 1841	Debt at 5 per cent.	1,015,384	50,769	
		Debt at 4 per cent.	1,615,384	64,615	
			2,630,768	115,384	
		Same Capital at 3½ per cent.	2,630,768	92,076	
					23,308
1844	3½ per cents reduced at par to 3¼ per cents until 10 October, 1854, and from that period to be reduced to 3*l.* per cents., and not liable to further reduction until after 10 October, 1874, per 7 Vict. c. 4. and 5.	New 3*l.* 10*s.* per cent. Annuities Capital	157,243,517		
		Reduced 3*l.* 10*s.* per cent. Annuities Capital	67,701,606		
		3*l.* 10*s.* per cent. Annuities, 1818 Capital	9,514,369		
		Old 3*l.* 10*s.* per cents and Debentures Capital	14,401,171		
			248,860,663		
		Amount of Dissents and Non-assents paid off	103,352		
			248,757,311	8,706,505	
		Same Capital at 3*l.* 5*s.* per cent.	248,757,311	8,084,612	
					621,893
					3,051,900

Walpole to the reduction of the interest in 1737 occasioned a loss to the public of 6,787,200*l.* (565,600*l.* × 12 years) But this sinks into insignificance when compared with the immense and apparently interminable sacrifice of from *six* to *seven** millions a year, entailed on the public through the ignorance and errors of succeeding ministries and parliaments.

The plan for the gradual extinction of the national debt, by consolidating the various surpluses of revenue arising from the reduction of interest and other sources into a sinking fund, to be constantly applied to purchase stock, was first proposed by Earl Stanhope, and adopted by Sir Robert Walpole, in 1716; and its advantages, from its being supposed to operate at compound interest, are very fully detailed in an elaborate "Essay on the Public Debts of the Kingdom," ascribed to Sir Nathaniel Gould, M.P., published in 1726. The Act establishing the sinking fund (3 Geo. I. cap. 7.) declares that the various surpluses of which it consisted "shall be appropriated, reserved, and employed to and for discharging the principal and interest of such national debts and encumbrances as were incurred before the 25th December, 1716, and to or for none other use, intent, or purpose whatsoever." But, in despite of this explicit enactment, the sinking fund was very soon perverted from its original destination. Several disguised encroachments were made in the interval between 1727 and 1732, but the first open and avowed encroachment was made in 1733. In 1732 the land-tax was reduced to 1*s.* in the pound; and to supply the deficiency of revenue which this reduction occasioned, half a million was borrowed, and the interest charged to the salt-tax, which was then revived, after being abolished only two years before. In the following year it became necessary to raise an additional 500,000*l.* and Sir Robert Walpole moved that it be taken from the sinking fund; adding, that if his proposal were objected to, he should

* The difference between the reductions actually made in the charge on account of interest, and those which might have been made had no artificial capitals been created.

be obliged to increase the land-tax from 1*s.* to 2*s.* in the pound. The motion was of course carried by a very great majority; and in 1735 and 1736 the entire produce of the fund was anticipated and mortgaged!

The authors of the "History and Proceedings of the House of Lords," in giving an account of this alienation, observe, "When any additional tax is imposed, the public feel the weight of the annual public expense. This puts them upon inquiring into the necessity of that expense; and when they can see no necessity for it they murmur, and those murmurs become dangerous to the minister. Whereas no man feels what is taken from the sinking fund, therefore no man inquires into the necessity of that expense which occasions its being plundered; and for this reason it will be always looked upon by ministers as a fund which they may squander with safety."*

Dr. Price laments this perversion in the most piteous terms: —"Thus," says he, "after an existence of a few years, expired the Sinking Fund—that sacred blessing, once the nation's only hope, prematurely and cruelly destroyed by its own parent. Could it have escaped the hands of violence it would have made us the envy and terror of the world, by leaving us at this time not only *tax-free*, but in possession of a treasure, greater perhaps than ever was enjoyed by any kingdom."

But although Dr. Price was perfectly right in censuring Walpole for not imposing additional taxes to supply the deficiency in the disposable revenue, he was totally wrong in his estimate of the influence of a sinking fund. The truth is, that no sinking fund, even though it consist of a clear surplus revenue, ever operates at compound interest. Suppose, to illustrate the mode of its working, that there is a million of surplus cash in the Treasury, and that it is formed into a

* Vol. iv. p. 511. See also the striking paragraph in the "Wealth of Nations," p. 418.

sinking fund. In the first place, the commissioners for managing this fund would purchase a million's worth of stock, and would receive at the end of the year the dividend or interest on this stock, which had previously been paid to the public creditor. If this dividend were 5 per cent., or 50,000*l.*, the commissioners would purchase additional stock with it; and would consequently have at the end of the *second* year 52,500*l.* to invest in a new purchase; at the end of the *third* year 55,125*l.*, and so on. This is what Sir Nathaniel Gould, Dr. Price, and Mr. Pitt call paying off the public debt by a sinking fund operating at compound interest. But it is obvious that whatever diminution may be effected in the amount of the public debt in the way now stated, is brought about by appropriating a portion of the produce of taxation to its extinction. It is true that by employing any given sum to purchase stock, and then constantly applying the dividends upon the stock so purchased to the redemption of debt, its diminution will be effected in the same way that it would be effected were the original sum increasing, by an inherent energy of its own, at compound interest. But it is essential to know, that though the results be the same, the means are totally different. The debt is reduced because that portion of the produce of the taxes required to pay the dividends or interest on the stock purchased by the Sinking Fund Commissioners, instead of being remitted to the contributors, continues to be taken from them, and applied to the purchase of fresh stock. It is the merest delusion to suppose that a reduction of debt is ever effected by the agency of a fund increasing at compound interest. To make capital increase in this way, it must be employed in some sort of productive industry; and the profits, instead of being consumed as income, must be regularly added to the principal, to form a new capital. It is unnecessary to say that no such sinking fund ever existed. Those that have been set on foot in this and other countries have all been supported either by loans or by the produce of taxes, and have never paid off a

single shilling of debt by their own agency. We are not, however, to consider this notion of the wonder-working effects of sinking funds as a mere harmless error. There can be no question that it has, by making it be believed that the greatest amount of debt might be defrayed without loss to any one, been one of the principal causes of the ruinous extension of the funding system.

Delusive, however, as were his notions with respect to the effect of sinking funds operating at compound interest, the writings of Dr. Price gave them the greatest currency; and, coupled with some visionary calculations he had made respecting the number of *globes of gold* to which a penny laid out at compound interest at the commencement of the Christian æra would have amounted in 1772, completed the delusion. The most intelligent men in the country were made to believe that the public debt might be diminished, notwithstanding the contraction of new loans, by the operation of a sinking fund; that "war, while such a scheme was going on, would increase its efficacy; and that any suspension of it then would be the madness of giving it a mortal stab *at the very time it was making the quickest progress towards the accomplishment of its end.*" *

By way of showing that these conclusions, how extravagant soever they may appear, were really well founded, Price puts the following case:

"Let a state be supposed to run in debt 2,000,000*l.* a year, for which it pays 4 per cent. interest; in seventy years a debt of 140,000,000*l.* would be incurred. But an appropriation of 400,000*l.* per annum, employed in the manner of a sinking fund, at compound interest, would, at the end of this term, leave the nation beforehand 6,000,000*l.*"†

If this were true, it follows that 2,000,000*l.* (and *cæteris*

* Price's Appeal to the Public on the subject of the National Debt, p. 17.
† Appeal, &c., p. 7.

paribus any larger sum) might be annually borrowed at 4 per cent., of which 1,600,000*l.* might be annually expended without incurring any more debt than would be paid by the regular appropriation of the remaining 400,000*l.* But the art of *hocus pocus* has not yet arrived at this degree of perfection. Dr. Price has forgotten to state how the interest of his annual loan of 2,000,000*l.* is to be provided for. Had there been a corresponding surplus revenue, the loan would have been, in part, at least, unnecessary. And supposing consequently (as we must do), that new taxes are annually imposed to defray the interest, the gross amount of these taxes would, in twenty-five years, equal the loan itself; and in the last, or 70th year of its contraction, they would amount to no less than 5,600,000*l.* (80,000*l.* interest for one year × 70), or to 3,600,000*l.* more than the amount of the loan! so that the debt, which is said to be reduced by the annual appropriation of the 400,000*l.* or one fifth part of the loan, is wholly reduced by the new taxes. To prove that such is the case, suppose that only 1,600,000*l.* a year has been borrowed and expended, but that taxes have been annually imposed sufficient to defray the interest of a loan of 2,000,000*l.*, the debt would be discharged in precisely the same time. It must, indeed, be evident, on the slightest consideration, that the debts neither of individuals nor of states can be diminished by the mere borrowing of money to pay them off. And had it not been for the mysterious manner in which propositions like that now examined were put forth, their fallacy must have struck every one. Borrowing money to pay off debt, unless when it is obtained at a lower rate of interest, never serves any purpose other than to increase its amount and to entangle and perplex the public accounts. If any reduction of debt be really effected while such borrowing is going on, it will invariably be found, on examination, to have been occasioned by an increase of revenue or a diminution of expenditure, or both.

The delusion occasioned by Price's writings,* though very general, was not universal. During the discussions on the Sinking Fund of 1786, a little tract was published, entitled "Considerations on the Annual Million Bill, and on the Real and Imaginary properties of a Sinking Fund," in which the hollowness of Price's theories is ably exposed, and in which it is demonstrated that no debt can ever be paid off except by the application of surplus revenue to that object. But this valuable tract appears to have made little or no impression. The plans and calculations of Price, instead of being allowed, like those of most projectors, to fall into oblivion, were adopted by Mr. Pitt, and formed the basis of his famous sinking fund.†

To constitute this fund, *one million per annum* was appropriated by Parliament, which was to be allowed to accumulate at compound interest, by the addition of the dividends on the stock which it purchased. In 1792 some further additions were made to this fund; and it was then also enacted, that besides providing for the interest of any loan that might henceforth be contracted, additional taxes should be imposed to form a sinking fund of *one* per cent. on the capital stock created by such loan. As there was a considerable excess of revenue in the period from 1786 to 1793, the debt was reduced by above 5½ millions, and this reduction was ascribed to the effect of the sinking fund acting at compound interest, though it is plain it entirely resulted from the application of surplus taxes to the purchase of stock. Subsequently to the commencement of the revolutionary war, the income of the country uniformly fell greatly short of the expenditure, and the debt rapidly increased. But though there was no *annual million* in the Treasury to transfer to the Commissioners, the

* The influence of Price's writings was increased by his high character, his earnestness, and perfect integrity.

† It is not creditable to Mr. Pitt that, while he piqued himself upon the Sinking Fund, he made no public acknowledgment of the obligations, in regard to it, he was under to Dr. Price.

machinery of the sinking fund was kept up. The loans for the service of the year were uniformly increased, by the whole amount of the sums placed at the disposal of the Commissioners; so that, for every shilling's worth of stock transferred to them by this futile proceeding, an equal or greater amount of new debt had to be contracted, exclusive of the loss incurred on account of management.

And yet this miserable juggle was lauded by all parties. The opposition vied with the ministry in celebrating its praises. The sinking fund was universally considered as the great bulwark of the country; "as a means by which a vast treasure was to be accumulated out of nothing." And so lasting and powerful was the delusion, that after fourteen years' experience of its worse than absolute nullity, when a new financial scheme was introduced in 1807, it contained a system of checks to prevent the evils likely to result from allowing the sinking fund to accumulate without any limit, "and deluging the country with a flood of wealth," by "a too prompt discharge of the public debt!" We doubt whether the history of the world can furnish another instance of so singular an infatuation. Had the sinking fund involved any unintelligible dogmas, had it addressed itself to popular feelings and passions, or had it originated in the enthusiasm of the public, the confidence in its efficacy would have been less unaccountable. But it was from the first a matter of calculation. It was projected by some of the best informed persons in the country, who continued for upwards of twenty years to believe that they were rapidly diminishing the public debt by the agency of a sinking fund, which was all the while kept on foot by fresh loans! Dr. Hamilton, of Aberdeen, has the merit of having completely dissipated this extraordinary delusion. He showed* that, instead of reducing, the sinking fund had

* In his work, entitled "An Inquiry Concerning the Rise and Progress, the Redemption and Present State, and the Management of the National Debt of Great Britain and Ireland." 1 vol. 8vo. 3d edit. Edinburgh, 1818.

increased the debt. And he proved to demonstration, that the excess of revenue above expenditure is the only fund by which any portion of the public debt can be discharged. "The increase of revenue," he observes, "or the diminution of expense, are the only means by which this fund can be enlarged, and its operations rendered more effectual; and all schemes for discharging the national debt, by sinking funds operating at compound interest, or in any other manner, unless in so far as they are founded upon this principle, are completely illusory.

"The extent of the sinking fund is artificial, and may be brought, by a mere change in the arrangement of the public accounts, to bear any proportion to the amount of debt, without the slightest advantage, or any tendency to promote its discharge. In time of war, we raise a certain sum by taxes for the expense of the year, and borrow what further is wanted. If a sinking fund be maintained, the sums appropriated are deducted from what would have otherwise been expended on the war, and a greater loan is required. We may throw into the sinking fund any share of the revenue we please. We have only to add as much to the loan, and we shall raise a larger sum in the form of loan with the same facility, by the effect of the sums thrown into the money market for the stock purchased by the Commissioners. In time of war, the sinking fund is nominal; in time of peace, a large sinking fund will discharge the debt more quickly; but this amounts to no more than that a continuance of the taxes which we paid in war, after peace is restored, will be attended with a speedier reduction of debt, than what would take place if a large part of these taxes were repealed.

"A similar circumstance, held forth to ease the alarms arising from the magnitude of the national debt, is the progress already made in its discharge by the sinking fund, and the large sum redeemed. We are told that these operations have succeeded beyond expectation, and that the whole debt existing in 1786, amounting to 238,000,000*l.*, is already

paid off. This is altogether fictitious and delusive. We may pay off as much debt as we please at any time by borrowing; but the only real alteration in the state of our finance is the difference between the debt contracted and the debt paid off; and while the former of these exceeds the latter, our situation is growing worse to the extent of that difference.

"A private gentleman, whose estate is incumbered, may, if he have any credit, pay off all his debt every year, by borrowing from other hands; but if he spend more than his free income, his embarrassments will continually increase, and his affairs are so much the worse by being conducted in this manner, from the fees he pays to his agents. The absurdity of supposing any advantage derived from this annual discharge of his debts will appear still stronger, if we suppose him, instead of borrowing from other hands, only to renew the securities to the same creditors annually, paying a fee to the agents, and a *douceur* to the creditors themselves on the renewal. All these observations are equally applicable to the debt of a nation, conducted as ours is. It would not be impracticable, or very difficult, to redeem our whole debt in any year, if the measures we follow be redemption. It would only require a large loan every month, and the large sums we were thus enabled to pay would supply the funds for these loans. Our capitalists would be pleased to promote these loans, as they would derive a bonus from each. Such a system would be ruinous in the extreme; and the system we follow is the same on a smaller scale, and is therefore only pernicious in a less degree."*

These statements are conclusive as to the folly of supposing that it is possible to make any reduction in the amount of the public debt, by the agency of a sinking fund kept on foot with borrowed money. But a sinking fund of this sort is a costly as well as a clumsy imposture. It appears from the pre-

* Hamilton on the National Debt, p. 237, &c.

vious table (p. 471.) that the loans contracted in each year from 1794 to 1816, both inclusive, amounted in all to 584,874,557*l.*, at an annual charge to the public of 30,174,364*l.* But the Commissioners of the Sinking Fund received 188,522,350*l.* of these loans, the annual charge on such portion being, of course, 9,726,090*l.*† It appears, however, from the table referred to, that the stock which the Commissioners purchased with this sum of 188,522,350*l.*, transferred to them out of the loans, only yielded an annual dividend of 9,168,232*l.* On the one hand, therefore, an annual charge of 9,726,090*l.* was incurred to enable the Sinking Fund Commissioners to go to market; and, on the other, they bought stock which yielded 9,168,233*l.* a year; so that, on the whole, their operations during the war occasioned a dead loss to the country of 557,857*l.* a year, equivalent to a 3 per cent. capital of 18,595,233*l.* exclusive of the expenses of the office, which amounted to above 60,000*l.* Such was the practical result of that sinking fund so long represented as the palladium of public credit and the sheet anchor of the nation!

This striking discrepancy between the sums borrowed on account of the sinking fund and those which it paid off was occasioned principally by the circumstance of the loans having been uselessly augmented by the whole amount of the sums transferred to the Commissioners. Everybody knows that a large loan is always negotiated on worse terms than a small one; for to be in a condition to make a large purchase, intending contractors must sell a comparatively large amount of stock before the day on which the biddings are taken, and this, of course, depresses the market prices of that day, by which the terms of the loan are mainly regulated. In most cases, however, the depression caused by the preparation for a loan is but of short duration, so that, speaking generally, it may be said that during the war the Sinking Fund

† 584,874,557 : 30,174,364 :: 188,522,350 : 9,726,089 $\frac{15617987}{584874557}$.

Commissioners were supplied with money borrowed when the funds were unnaturally depressed, with which they were sent to buy up stock that had recovered its full value! The discrepancy is in some degree, also, owing to the premium usually received by the contractors being paid on that part of the loans transferred to the Commissioners, and consequently deducted from the sums laid out by the latter. The wonder in truth is, not that a very heavy loss was incurred by keeping up the sinking fund machinery during the French war, but rather that that loss was not considerably greater.

It has sometimes been contended that, admitting all that has been previously stated to be true, the sinking fund was, notwithstanding, advantageous, from the confidence inspired by the belief in its powerful agency! We doubt, however, whether much stress can justly be laid on its operation in this respect. But, supposing that such was the case, and (which is more doubtful) that Government was warranted in encouraging a delusion of this sort, the deception might have been equally well kept up, and all the heavy expenses that have been incurred been saved, by making the Sinking Fund Commissioners subscribe to the different loans the amount of the sums that were otherwise to be borrowed on their account. By this simple and obvious device the amount of the loans to be contracted for would have been lessened, and they would consequently have been negotiated on better terms, at the same time that the premiums on the sums paid to the Commissioners would have been saved. But though the advantages of this mode of keeping up the sinking fund are all but obvious, and were set in the clearest point of view by Mr. Grenfell many years previously, it was not adopted till 1819, when it was successfully introduced into the loan of that year.

There was only one part of Mr. Pitt's plan that was really calculated to afford the means of reducing the debt; and that was, the clause, enacted in 1792, which ordered that

taxes should be imposed, not only to defray the interest of such loans as might be contracted in future, but also to provide a sinking fund of 1 per cent. on the stock so created. Had this clause been scrupulously observed, a fund would undoubtedly have been formed, which, had it been exclusively applied to that object, would ultimately have extinguished the debt contracted during the war. But it must be borne in mind, that it would have done this, not by the operation of compound interest, but simply by raising a larger amount of taxes than was required to pay the dividends on the loans, and applying the surplus to buy up the principal. A new capital of nearly 600 millions of funded debt was created in the interval between 1793 and 1817, 1 per cent. on which, exclusive of accumulations, would have been 6,000,000*l.* But, instead of having a surplus income of this amount at the end of the war, when the nominal sinking fund amounted to about fifteen millions, the clear real surplus did not amount to *two* millions; the taxes imposed to form a sinking fund on the capital of the loans having been mostly anticipated and mortgaged, by charging them with the interest of loans made in 1807, 1808, and 1813. It is indeed idle to suppose, that a surplus revenue, existing in the shape of a sinking fund, will ever be unceasingly applied to the extinction of debt. It may be so applied for a few years. But whenever any considerable difficulty is experienced in raising taxes to defray extraordinary expense, it is all but certain that it will be diverted, as all such funds have ever been, from its proper and peculiar object.

Dr. Hamilton's book was published in 1813; but such is the vitality of error, that it was not till 1829 that the triumph of principle and common sense was consummated by the Act 10 Geo. IV., cap. 27. This statute made an end of sham sinking funds, and enacted that thenceforth the sum to be applied to the reduction of the national debt should be the actual annual surplus revenue over the expenditure.

After these statements it might have been supposed that this generation would have heard no more of compulsory sinking funds. But financial errors seem to be endowed with something approaching to immortality. No sooner has their fallacy been demonstrated than we frequently find them put forward, as if their soundness neither had been nor could be questioned. Such, at all events, has been the case with regard to the sinking fund. In 1855 a loan of 16,000,000*l.* was contracted under stat. 18 & 19 Vict., c. 18; and it enacted that, until an equivalent amount of the funded debt of the United Kingdom had been paid off, the sum of 1,000,000*l.* should be annually advanced to the Sinking Fund Commissioners, the first advance being made within a year after the signature of a definitive treaty of peace with Russia. It was consequently plain from the outset that if we were engaged in a contest with any great power, or had to face any extraordinary expenditure before the loan contracted in 1855 was paid off, or if any circumstances connected with our internal policy made it impracticable or inexpedient to maintain a surplus revenue of 1,000,000*l.* we should be compelled, however disinclined, to borrow an equivalent sum. Hence the arrangement was not only opposed to sound principle but was quite uncalled for. If there was a surplus revenue it would have gone towards the extinction of the debt under the Act of 1829, and if there was no surplus, or one that was insufficient, ministers would have been compelled to adopt what might have been a very inexpedient course of policy. Happily, however, this ill-advised attempt to resuscitate the old sinking fund was abandoned in 1858; and there is, one would think, no great chance of its being again revived.

There is, perhaps, reason to think that the indirect operation of a real sinking fund of three or four millions, supposing it could be maintained, might be of material importance; and that by keeping, for a while, the price of the three per cents at about par, it might enable the interest of the debt to be

further reduced to two and a half or even two per cent. But this result would depend, in a great degree, on the influence of circumstances which cannot be determined *à priori*. If the pressure on the national resources should diminish, and the profits of stock, or of capital employed in industrial undertakings, were increased, the rate of interest would rise, and the funds fall below par; and, were such the case, it would be better, certainly, to remit taxes than to employ their produce in reducing the public debt. It is impossible, indeed, to form estimates beforehand of what may be the effect of any given financial operation, as any unforeseen change in the channels of industry, or in the situation of the country, may alter all the results that were anticipated. On the whole, however, we are little sanguine in regard to any considerable direct reduction of the debt being ever effected; and it is better to trust for the diminution of the public burdens rather to the increasing wealth and ability of the country to sustain them, than to anything else.

In addition to the projects which have been set on foot for paying off the national debt by means of sinking funds and such like devices, it has been proposed to effect this object by assessing the capital of the country. A scheme of this sort was proposed in the reign of George I., and strongly recommended by Mr. Archibald Hutcheson, an intelligent member of the House of Commons. Mr. Hutcheson estimated that a contribution of 10 per cent. on all fixed and moveable property, including, of course, the debt itself, would be sufficient for the extinction of the latter. And to carry the measure into effect he proposed that power should be given to the proprietors of estates to sell as much of them as might be required to defray their share of the assessment, notwithstanding any disability arising from settlements or entails; and they were also to be entitled to deduct 10 per cent. from all mortgages and other burdens with which they might be affected.

Were a project of this sort practicable and just, the stimulus

it would give to industry and economy by making that which is now the debt of the public the debt of individuals, and the many advantages that would result from the abolition of the taxes required to defray the interest, should make it be adopted at least to some considerable extent. But it is needless to dwell on these considerations; for there can be no doubt that the project is wholly impracticable, and that, supposing it to be practicable, it would be most unjust to carry it into effect. This has been shown briefly but conclusively by Hume in his "Essay on Public Credit:"—"Mr. Hutcheson," says he, "appears not to have considered that the laborious poor pay a considerable part of the taxes by their annual consumptions, though they could not advance at once a proportional part of the sum required; not to mention that property in money and stock in trade might easily be concealed or disguised; and that visible property in lands and houses would really at last answer for the whole, an inequality and oppression which never would be submitted to. But though this project is not likely to take place, it is not altogether improbable, that when the nation becomes heartily sick of their debts, and is cruelly oppressed by them, some daring projector may arise with visionary schemes for their discharge: and as public credit will begin by that time to be a little frail, the least touch will destroy it, as happened in France during the regency; and in this manner it will *die of the doctor.*"

Even had a project of this sort been practicable in 1720, when the public debt was little more than *fifty* millions, it is now quite out of the question. The proportion of monied and other moveable and all but intangible property, as compared with that which is fixed, has increased *ten-fold* since the accession of George I.; and having previously shown that it is not practicable to make the holders of such property contribute their fair share of a moderate tax on income, we may be excused if we take for granted that it would be still more impracticable to make them contribute anything like their

fair share of a very heavy tax on capital! The reasons which justified Hume in condemning this scheme in 1750 have, therefore, incomparably greater weight at this moment. The chances, indeed, are ten to one that any Government, that attempted *bonâ fide*, to carry it into effect would be speedily overthrown.

It will, we apprehend, be found that the best way of lessening the national debt is not by making attempts to pay it off either by sinking funds or otherwise, but by adopting such measures as may seem best fitted to give additional vigour to the productive energies of the people. Every increase of these proportionally diminishes the pressure of the debt.

We have previously endeavoured to show that it would be advantageous to maintain during peace a surplus revenue of some two, three, or five millions a year. We should do this, not so much in the view of reducing the debt, though that is a consideration not to be left entirely out of view, as of increasing our security, and enabling proper measures to be devised, in the event of our being engaged in war, for defraying its expense. The desire to obtain immediate relief from the pressure of existing burthens, is no doubt a formidable obstacle to this being done. But an intelligent government acting with a view to the more remote, as well as the immediate interest of the public, might probably be able to maintain a considerable surplus. And supposing an efficient system of economy were at the same time enforced, wherever it may be practicable, and efforts continuously made to widen the present narrow basis of indirect taxation, the whole financial policy of the country would acquire greater solidity. And while a conviction would grow up that the public burthens were necessary, their pressure being more diffused would be less felt, and the comfort and well-being of the community promoted.

APPENDIX.

I.—Local Taxation.

By Local Taxes are usually meant taxes levied in particular districts of the country, and expended for the purposes of those districts. The existing taxes of this description in England and Wales are thus enumerated in the Report of the Poor Law Commissioners on Local Taxation* :—

"Rates of Independent Districts:—

"Poor Rate Series—Taxes on the basis of the Poor Rate.

1. Poor Rate.
2. Workhouse Building Rate.
3. Survey and Valuation Rate.
4. Jail Fees Rate.
5. Constables' Rate.
6. Highway Rate.
7. Ditto additional rate for purchase of land.
8. Ditto additional rate for law expenses.
9. Lighting and Watching Rate.
10. Militia Rate.

"Miscellaneous Taxes—Each on an independent basis.

11. Church Rate.
12. Ditto, for new churches and repairs.
13. Burial Ground Rate.
14. Sewers Rate.
15. General Sewers Tax.
16. Drainage and Enclosure Rate.

"Rates of Aggregated Districts:—

"County Rate Series—Taxes imposed originally on aggregated districts by some general authority, but ultimately assessed on the basis of the Poor Rate.

17. County Rate.
18. Ditto for Lunatic Asylums.
19. Ditto for Building Shire Halls.
20. Burial of Dead Rate.

* Report made by the Poor Law Commissioners to the Secretary of State for the Home Department, and presented to both Houses of Parliament in 1843. This Report, which, with its Appendices, comprises much important information in regard to local taxation, was, we understand compiled by George Coode, Esq.

21. Hundred Rate.
22. Police Rate.
23. Borough Rate.
24. Watch Rate in Boroughs."

The local taxes leviable in England and Wales thus appear to be twenty-four in number. Practically, however, there are not twenty-four collections. Some of the rates are furnished from the funds of other rates; some are incapable, or too difficult of collection; some are required only on few occasions, or in limited localities. The Workhouse Building Rate was apparently intended to be levied as a separate impost; but owing to the inadequacy of the enactment on the subject, this has been found to be impracticable, and the payments necessary for attaining its objects have been made directly from the poor rate. The Survey and Valuation Rate is likewise incapable of distinct enforcement; and as the statute admits of an alternative resort to the poor rate, no attempt has been made to enforce it. The Jail Fees Rate seems to have been designed merely to compensate persons in office at the time of its passing (May 1815), and to be leviable only in "cities, towns corporate, and places not contributing to the county rate, and having no town rate or public stock." Moreover, if the smallness of its amount render its separate levy inconvenient, it is to be paid out of the poor rate. The Constables' Rate has, with very few exceptions, fallen into disuse; the constables' charges (though with doubtful legality) being usually defrayed out of the poor rate, under colour of the provision in the 18 Geo. III. cap. 19. § 4. The Militia Rate is of course suspended, as the militia itself is not embodied. Drainage and Enclosure Rates are applicable only to certain places under local acts. The Burial of Dead Rate, for defraying the expenses of burying dead bodies found on the sea shore, is necessarily confined to maritime districts. It is to be raised in the same manner as the county rate.

The law establishes three distinct imposts in regard to the Highways: one for repairing the roads, another for purchasing land, and a third for defraying law expenses. The Poor Law Commissioners observe,* however, that, "the separate highway rate for the purchase of land, and the separate highway rate for law expenses, appear, so far as we can learn, never to have been made on those occasions where the law enabled them to be raised; but the purposes have been more conveniently attained by the use of the common highway rate, even in cases where the amount of the latter rate has, by this addition, been made to exceed the limit fixed by law." That limit is, ten-pence in the pound at any one time, or two shillings and sixpence in the pound in any one year. A limit is also set on the rate for purchasing land, but the ambiguous phraseology of the

* Report, 8vo. ed., p. 24.

statute renders it difficult to discover the precise amount intended. The Highway Rate is to be assessed upon the same property which was liable to contribute to the relief of the poor on 31st August 1835; and also, upon woods, mines, stone-quarries, and other hereditaments, usually rated to the highways before that date. Personal property, however, has been subsequently exempted from poor rate; but this exemption does not appear to extend legally to the highway rate. These two rates, therefore, are not altogether identical in the mode of their imposition.

Any parish may adopt the provisions of the Lighting and Watching Act (3 & 4 Will. IV. c. 90), either as to lighting, or as to watching, or as to both lighting and watching; and in the event of such adoption, the rate is to be levied on the same property that is liable to the poor rate, though houses, buildings, and property other than land, are to contribute as compared with land, in the proportion of three to one. This provision necessarily prevents the operation of the Act in places not maintaining their own poor.

The Poor Rate is raised under the 43 Eliz. c. 2. "by taxation of every inhabitant, parson, vicar, and other, and of every occupier of lands, houses, tithes impropriate, propriations of tithes, coal-mines, or saleable underwoods," in the parish. The importance of this tax has rendered it a subject of frequent litigation; and the terms of the statute of Elizabeth have been explained by numerous judicial decisions, affecting the liability of particular properties to contribute to the rate. The personal property of inhabitants was thus declared rateable, by implication of the courts; but this liability is supended for the present by a temporary enactment. It will be perceived that the statute of Elizabeth imposes the rate upon two descriptions of persons,—inhabitants and occupiers; but owners of small tenements may be assessed, instead of the occupiers, under the 59 Geo. III. c. 12. § 19.; and owners, instead of the occupiers, of tithe commutation rent-charge, under 1 Vic. c. 69. § 8. The various irregularities which had crept into the mode of assessing property to the poor rate induced the legislature, in 1836, to make provision for "establishing one uniform mode of rating for the relief of the poor throughout England and Wales;" for which purpose the Parochial Assessments Act, 6 & 7 Will. IV. c. 96., was passed. It defines the principle upon which the properties subject to the rate shall be assessed; but this definition itself is so loosely expressed, as to occasion much difficulty in its construction. It directs the rate to be made "upon an estimate of the nett annual value of the several hereditaments rated thereunto; that is to say, of the rent at which the same might reasonably be expected to let from year to year free of all usual tenant's rates and taxes, and tithe commutation rent-charge, if any, and deducting therefrom the probable average annual cost of the repairs, insurance, and other expenses, if any, necessary to maintain them in a state to command such rent." The statute further provides for the appointment of a professional valuer, to survey the parish, and value the rateable

hereditaments, where the overseers or guardians desire it; thus leaving the most material means of correcting the previous irregularities entirely in the discretion of the parties in fault. A recent decision, moreover, (Reg. *v.* Lord Yarborough, 12 A. & E. 416.), has established that the overseers are not bound to adopt the professional valuation, even when obtained.

The Church Rate, it is said by the canonists, should be laid upon lands, houses, and the like property, according to the stock which the parishioners have within the parish; and if the usage of the place sanction such a course, it should include personalty and stock-in-trade. But a church rate made according to the poor rate, appears to have been considered just and prudent. The 3 Geo. IV. c. 72. § 20. seems to require that a separate rate should be levied for the repair of churches and chapels acquired or appropriated under that Act, or under the 58 Geo. III. c. 45., or the 59 Geo. III. c. 134.; but this object as well as the purposes of the burial-ground rate, authorised by 3 Geo. IV. c. 72. § 26., would probably be found in practice to be usually provided for out of the ordinary church rate.

The Sewers Rate, as directed by the statute 23 Hen. VIII. c. 5., is to be charged by the Commissioners of Sewers, upon the persons through whose default the annoyances to be removed have happened, or who hold any lands or tenements, or common of pasture, or profit of fishing, or who have, or may have, any hurt or loss through such annoyances; and to be assessed "after the quantity of the lands, tenements, and rents" of such persons, "by the number of acres and perches, after the rate of every person's portion, tenure or profit, or after the quantity of their common of pasture, or profit of fishing, or other commodities there." Both the persons and the properties subject to this impost are therefore in some degree different from those liable to the poor rate. The General Sewers Tax (4 & 5 Vict. c. 45.) is to be laid upon the "lands and hereditaments" within the jurisdiction of the several Courts of Sewers; and to be apportioned among the occupiers of the lands and hereditaments, in such proportions and upon such individuals as of right ought to pay the same. This tax, consequently, differs in its incidence from the sewers rate, which is not restricted to occupiers. It is difficult to assign a precise meaning to the words—"such individuals as of right ought to pay the same."

The "messuages, lands, tenements, and hereditaments" rateable to the relief of the poor, form the basis of the County Rate. These terms do not include the personal property of inhabitants, which was formerly liable to poor rate; but the temporary exemption of that kind of property from the latter rate, removes the incongruity. Where, however, rates are raised for the relief of the poor, the county rate is to be collected as part of the poor rate; but where no poor rate is made, or where the poor rate does not apply separately and distinctly to any parish or place, or in the northern counties, the Justices may require the Petty Constables to

collect the county rate. The levy is thus conducted: the Justices issue their warrant for the amount required to the High Constables, who collect it from the Overseers or Petty Constables of the several parishes or other places, and then pay it into the hands of the County Treasurer. The required amount is to be apportioned by the Justices among the several parishes and places within the county, rateably and equally, according to a certain pound rate, upon the full and fair annual value of the property which is rateable (or which, if there were a poor rate, would be rateable) to the relief of the poor; and for the purpose of making this apportionment, the Justices are invested with powers enabling them to obtain valuations of the several parishes and places. There is, however, much obscurity and some inconsistency in the various statutes relating to the county rate; and it is not always easy to reconcile their provisions, or determine their exact effect. Special county rates may be levied for providing county lunatic asylums and shire-halls, on the same properties and persons, and in the same manner, as the ordinary county rate.

The Hundred Rate, for affording compensation for damages sustained in riots, ought to be levied on the same property as the county rate, or where there is no county rate, on the same as any rate in the nature of a county rate, or where there is no such fund, then on the same as the poor rate. The hundred rate is not liable in hundreds alone; but in any hundred, wapentake, ward, or other district in the nature of a hundred, —any liberty, franchise, city, town, or place, not being part of any hundred, but contributing to a county rate,—any county of a city, county of a town, liberty, franchise, city, town, or place, wherein there is any rate raised in the nature of a county rate, or fund applicable to similar purposes,—or any parish, township, district, or precinct, not contributing to a county rate, or any similar fund, but having a rate for the relief of the poor.

Where the provisions of the County and District Constabulary Acts (2 & 3 Vict. c. 93., and 3 & 4 Vict. c. 88.) have been adopted, the Police Rate is to be levied on the same properties and persons as the county rate, but limited to the police districts.

The Borough Council may order the Overseers of the parishes wholly or partly within the borough, to pay the Borough Rate out of the poor rate, or else to collect it by a pound rate upon the occupiers or possessors of all rateable property within such parishes, or parts of parishes, respectively. The Borough Watch Rate may be imposed at the discretion of the Borough Council, and is leviable from the occupiers of all lands, messuages, tenements, and hereditaments, within those parts of the borough which are watched by day and by night. The persons and properties liable to this rate differ, as will at once be seen, from those subject to the poor rate.

The foregoing summary will show that the law creates or contemplates variations, more or less considerable, in the incidence of several, at least of these different local taxes. Thus, the properties legally liable to the

poor and the highway rates, though substantially similar, are not altogether the same. The church rate, probably, in strictness of law, differs partially from both; and the sewers rate, if properly imposed, would deviate still more widely from them. Nevertheless, the Poor Law Commissioners remark, as the result of their inquiries into the subject, that "these legal differences have very little operation in practice," and "that it may be generally affirmed, that the whole of our local taxation is imposed, either by law, or by usages regardless of the law, on the same basis as the poor rates."

The Local Taxation Act of 1860, the 23 & 24 Vic. c. 51., directs that Returns shall be made to the Home Office for all Boards, Corporations, or bodies of any kind empowered to levy local rates, of the sum so levied. It may be presumed that eventually the Returns obtained under this Act will furnish a pretty accurate account of the total amount of such rates. Hitherto, however, the Returns, though more to be depended upon than those previously furnished, are in various respects defective. — We subjoin a—

Summary of the Rates, Taxes, Tolls, &c., collected in 1860 under the following heads, viz.:

	£	s.	d.
Church Rates	233,560	1	10
Sewers Rates	35,322	19	3
Drainage and Embankment Rates	65,671	15	3
City of London Commission of Sewers	21,057	19	0
Lighting and Watching Act	4,597	16	5
Improvement Commissioners	19,162	5	1
Local Management of the Metropolis	788,189	5	9
Ditto for Main Drainage	161,016	13	10
Harbours	1,201,398	8	4
Burial Boards	103,706	14	3
Local Boards	850,578	1	3
	£3,484,262	0	3

And to these may be added the following rates, with their amounts as given in the years specified as follows, viz.:

	£
Poor Rate (including County and Police Rates) (1860)	7,715,948
Borough Rate (1854)	311,953
Highway Rates (1859)	2,024,792
Turnpike Tolls (1859)	1,029,849
Trinity House (1861)	288,313
	11,370,860
Amount as above	3,484,262
Total	£14,855,122

We may add that it is estimated that about 180,000 individuals are supposed to be engaged, one way or other, in England and Wales, in the levy of local taxes.

If to the 14,855,122*l.*, the amount of the local taxes of England and Wales, we add those of Scotland and Ireland, the total amount will be above rather than under 18,000,000*l.* Hence taking the revenue raised for public purposes at 70,000,000*l.* the entire sum raised for taxation in the United Kingdom will exceed 88,000,000*l.*

The purposes to which the local taxes are lawfully applicable (amounting to about 200) are so numerous and various, that a detailed catalogue would be tediously lengthy, and a general description almost useless. The names of the rates, as given above, usually indicate with sufficient distinctness the primary purpose of each; but this primary purpose is not always the only one to which the tax is even by law devoted. The poor rate, perhaps, is the most multifarious in its objects; comprising, besides the relief of the poor, such general measures as the registration of births and deaths, the vaccination of all classes of the community, the prosecution of certain kinds of criminals (such as the keepers of disorderly houses), the preparation of the lists of jurymen and parliamentary voters, and so forth. The county rate, again, provides for the repair of bridges, the maintenance of jails, the relief of prisoners, the payment of coroners, the prosecution of felons, and a long list of purposes besides. It may be observed generally that the several rates are designed to deal with exigencies of a most important public character; and it is therefore highly desirable that they should not only be levied with fairness, but expended with fidelity.

II.—Land Revenue and Sale of Land in India.

Extracts from a Dispatch of the Secretary of State for India, of the 19th July 1862.

"A direct permanent settlement of the land revenue is free from this objection, and it remains, therefore, to discuss this most important question, and to weigh with the greatest care all the considerations by which it ought to be determined.

"The land revenue of India, as of all eastern countries, is less to be regarded as a tax on the landowners than as the result of a kind of joint ownership in the soil or its produce, under which the latter is divided, in unequal and generally undefined proportions, between the ostensible proprietors and the state. It is not only just, but necessary for the security of the landowner, that the respective shares in the produce should at any given period, or for specified terms, be strictly limited and defined. The increase of population, the improvement of communications, and the accumulation of wealth, have a tendency to increase the extent of cultivation and the value of the net produce or rent, and the Government may rightly

claim to participate in those advantages which accrue from the general progress of society. This has hitherto been effected by means of periodical adjustments of the share, or at least of its value in money, which belongs to the State.

"By many persons great advantages have been anticipated from what is usually called a permanent settlement; that is, by the State fixing, once and for ever, the demand on the produce of the land, and foregoing all prospect of any future increase from that source. It has been urged that not only would a general feeling of contentment be diffused among the landholders, but that they would thereby become attached, by the strongest ties of personal interest, to the Government by which that permanency is guaranteed. It is further alleged that by this means only can sufficient inducement be afforded to the proprietors to lay out capital on the land, and to introduce improvements by which the wealth and prosperity of the country would be increased.

"In this country these views have been put forward mainly in reference to the settlement of Europeans in India, but they are clearly applicable to the occupiers of land generally throughout India. They have been entertained by many of our ablest officers, and they have been recently advocated by the late lamented Colonel Baird Smith, in relation to their probable effect on the agricultural population of the North-west Provinces. In his report on the remedial measures required in those districts which had suffered most severely in the late famine, he strongly recommends that a permanent settlement should be accorded wherever the land revenue now assessed may reasonably be assumed to have reached its probable limit. That recommendation was based both on social and financial grounds, and was founded on his conviction of the great benefits which had accrued to the country from the demand of the Goverment having been declared unalterable for a period of 30 years. He desired to confirm and accelerate the improvement which he had witnessed by strengthening the motives which, in his opinion, had produced it. It was his belief that this object could be most effectually attained by the concession of a demand fixed in perpetuity, instead of only for a limited term.

"On the other hand, it has been urged that the consequence of a permanent settlement of the land revenue is to preclude the Government from ever obtaining any future augmentation of income from this source; and, considering that the experience of all countries advancing in civilization demonstrates that the cost of administration is constantly tending to increase, it follows that the additional charge which will fall on the government must of necessity be met by taxation in some shape, such as customs, excise, salt, stamp, or income duties. Colonel Baird Smith, in the able paper already referred to, admits that this result will take place, but he argues that any sacrifice of public revenue involved in the concession of a demand fixed in perpetuity would be more than compensated by the increased ability of the people generally to bear taxation direct or indirect,

which would necessarily follow on the improvement in their social condition. An 'intelligent and powerful government,' he says, 'could not fail to par-'ticipate in these advantages.' 'Its intelligence would direct it to the 'least offensive and most effective means of sharing in the general prosperity, 'and its power would ensure the fair trial and ultimate success of those 'means.'

"It is a serious and difficult question to determine by which course the interests of India will be best promoted. Before deciding on any step by which the prospect of any future increase of land revenue is given up, it must be very carefully considered how far, on the whole, it is likely that the possible sacrifice of increased revenue from this source will be made up by the greater ability of the people to contribute in other ways to the public income, and whether it will be for the general interest to purchase at this price the social and political advantages which have been adverted to.

"Her Majesty's Government entertain no doubt of the political advantages which would attend a permanent settlement. The security, and it may almost be said, the absolute creation of property in the soil which will flow from limitation in perpetuity of the demands of the State on the owners of land, cannot fail to stimulate or confirm their sentiments of attachment and loyalty to the government by whom so great a boon has been conceded, and on whose existence its permanency will depend.

"It is also most desirable that facilities should be given for the gradual growth of a middle class connected with the land, without dispossessing the peasant proprietors and occupiers. It is believed that among the latter may be found many men of great intelligence, public spirit, and social influence, although individually in comparative poverty. To give to the intelligent, the thrifty, and the enterprising the means of improving their condition, by opening to them the opportunity of exercising these qualities, can be best accomplished by limiting the public demand on their lands. When such men acquire property, and find themselves in a thriving condition, they are certain to be well affected towards the government under which they live. It is on the contentment of the agricultural classes, who form the great bulk of the population, that the security of the government mainly depends. If they are prosperous, any casual outbreak on the part of other classes or bodies of men is much less likely to become an element of danger, and the military force, and its consequent expense, may be regulated accordingly.

"The strongest opponents of a permanent settlement would probably admit the political and social advantages of such a measure. Their main argument against it is based on the financial consideration that by means of temporary settlements, the land revenue might be raised from time to time, according to the expected rise in the value of land, and that by this means also, the loss might be avoided which, in all cases of fixed money payments, must ensue, if a depreciation of the value of the precious metals should take place.

"It is indispensable, of course, that whether with a view to redemption,

even to the extent of one-tenth of the revenue, or to a permanent settlement, the preliminary step of a revision of the present assessment must be taken. In the first instance, whichever course may be finally adopted, a full, fair, and equitable rent must be imposed on all lands now under temporary settlement, and, when that has been accomplished, Her Majesty's Government are of opinion that a permanent settlement may be safely applied. This was the course recommended by one of the ablest and most distinguished men who ever was called on to bear a part in the administration of British India. In his celebrated Minute of the 31st December 1824, Sir Thomas Munro, then Governor of the Presidency of Madras, several times refers to this subject, and particularly in the following passage: 'No 'survey assessment of a great province,' he says, 'can ever at once be 'made so correct as not to require future alteration; when, therefore, it has 'been completed with as much care as possible, a trial should always be 'made of it for six or seven years. This period will be sufficient to dis-'cover all defects in the assessment. A general revision of it should then 'be made, and wherever it might be found too high it should be lowered, 'and it may then, with safety to the revenue and benefit of the people, be 'made permanent.'

"When once the rent has been properly fixed, any increase consequent on the natural progress of society will in all probability take place but slowly, and reach no great amount until after a considerable interval. It must be remembered that in all the revisions of settlement which have taken place of late years the tendency has been towards a reduction in the rates of assessment. Wherever the settlements have been carefully made, and the capabilities of the country have been well ascertained, the probability of any considerable increase of land revenue appears to be but slight.

"The necessity for the reduction above noticed seems to have been caused mainly by the depreciation in the value of the crops from the increased production consequent on the greater tranquillity of the country under British rule. There are at present symptoms of a rise in the price of agricultural produce, caused probably, to a great extent, by the increased employment of labour in the construction of railways and other public works; but the railways when completed, while they will contribute largely to the development of the resources of India, may, in some degree, counteract this tendency. The great differences in the price of food in districts at no great distance from each other, so that while one was in a condition bordering on famine, others enjoyed comparative plenty, will cease to exist, at least to the same extent, when ready and cheap means of transport shall have been provided. Produce from the interior will be more readily brought to the centres of consumption or of exportation, and the value of land in the interior will be thereby increased; but on the other hand, the value of the produce of land near large towns and the coast will be reduced by the competition of the produce of the interior. The probable effect of the railroads would seem to be towards the equalisation of the prices of produce in

different parts of India, and a general improvement in the wealth of all classes of the country, rather than to give any peculiar advantage to the landholders.

"That this general improvement will be accelerated by a permanent settlement Her Majesty's Government cannot entertain any doubt. A ready and popular mode of investment for the increasing wealth of the country will be provided by the creation of property in land, and all classes will benefit by the measure. On the agricultural population the effect will be, as pointed out by Colonel Baird Smith in the able paper already referred to, the elevation of the social condition of the people, and their consequent ability, not only to meet successfully the pressure occasioned by seasons of distress, but in ordinary times to bear increased taxation in other forms without difficulty; the feeling of ownership, or, in other words, the absolute certainty of the full enjoyment of the reward for all the labour and capital which they may invest in the land, will be sure to call out all their energies for its improvement. Her Majesty's Government confidently expect that a people in a state of contentment and progressive improvement will be able without difficulty to contribute to the revenue in other ways to such an extent as more than to compensate for the disadvantage of foregoing some prospective increase of that from land.

"The example of Tanjore may be cited in confirmation of this view. It has been for many years so moderately assessed, that a feeling of private property in the soil has continued to exist among the people to such an extent, that land sells, on an average, for twenty years' purchase. This district is eminently one in which a permanent settlement might properly be established, and that such a measure would lead to no loss of public income, may be inferred from the fact that in it the receipts from salt, abkarry, and stamps have in ten years risen from 6,54,500 rupees to 9,50,500 rupees, or nearly 48 per cent.

"It must also be remembered that all revisions of assessment, although occurring only at intervals of 30 years, nevertheless demand, for a considerable time previous to their expiration, much of the attention of the most experienced civil officers, whose services can be ill spared from their regular administrative duties. Under the best arrangements, the operation cannot fail to be harrassing, vexatious, and perhaps even oppressive to the people affected by it; the work can only be accomplished by the aid of large establishments of native ministerial officers, who must, of necessity, have great opportunities for peculation, extortion, and abuse of power; moreover, as the period for resettlement approaches, the agricultural classes, with the view of evading a true estimate of the actual value of their lands, contract their cultivation, cease to grow the most profitable crops, and allow wells and watercourses to fall into decay. These practices are certainly more detrimental to themselves than to the Government, but there can be no question that they prevail extensively. The remedy for these evils, the needless occupation of the valuable time of the public officers employed in

the revision, the extortion of the subordinate officials, and the loss of wealth to the community from the deterioration of cultivation, lies in a permanent settlement of the land revenue.

"The course of events which has been anticipated is, indeed, only that which has taken place in every civilized country. Experience shows that in their early stages nations derived almost the whole of their public resources in a direct manner from the produce of the soil, but that as they grew in wealth and civilization, the basis of taxation has been changed, and the revenue has been in a great degree derived indirectly by means of imposts on articles which the increasing means of the people, consequent on a state of security and prosperity, have enabled them to consume in greater abundance. I am aware that it has been stated as an objection to promoting such a course of things in India, that in most European countries the advantages of this change have been mainly appropriated by the large landowners: but it must be remembered that in India, and especially in the districts under ryotwarry settlement, the great bulk of the agricultural population are the proprietors, subject only to the payment of the assessment, of the lands which they till; and that, consequently, the benefit of a permanent settlement would be enjoyed, not by a narrow and limited class, but by the majority of the people.

"The apprehension of a possible fall in the relative value of money, which has been previously noticed, though deserving consideration, does not seem to Her Majesty's Government to be of sufficient moment to influence their judgment to any material extent in disposing of this important question.

"After the most careful review of all these considerations, Her Majesty's Government are of opinion that the advantages which may reasonably be expected to accrue not only to those immediately connected with the land, but to the community generally, are sufficiently great to justify them in incurring the risk of some prospective loss of land revenue in order to attain them, and that a settlement in perpetuity in all districts in which the conditions absolutely required as preliminary to such a measure are, or may hereafter be, fulfilled, is a measure dictated by sound policy, and calculated to accelerate the development of the resources of India, and to ensure, in the highest degree, the welfare and contentment of all classes of Her Majesty's subjects in that country.

"They consider that the direct mode of making a permanent settlement is preferable to the indirect one of obtaining a similar result by conceding to the landholders the right to redeem their assessment. They do not believe that the power to redeem the land revenue is necessary to induce the landholders to incur expenditure in the improvement of their property. What is really required, in order to call into effective action their enterprise and capital, is not an exemption from all payments to the Government on account of their estates, but the fixing those payments in perpetuity, at a moderate and certain amount. In Bengal, where a permanent settlement was made with the zemindars 70 years ago, the general progress of the

country in wealth and prosperity, notwithstanding the depressed condition of the peasantry, caused by errors and omissions in the mode of making the settlement, has been most remarkable. Such errors in the existing state of our knowledge regarding the rights and interests of the subordinate occupants of the soil would not be permitted to recur.

"It must be remembered that, with a view to attaining the objects aimed at, of improving the condition of the people and enabling them to contribute in other ways to the public revenue, it is essential that the measure should be generally brought into operation. The improved condition of a limited number and of an exceptional class would add little to the contentment of the population, or to the resources of the public treasury. No measure can be really effective for such purposes unless it can be brought to bear on the general mass of the population.

"Although, therefore, the acquisition of a permanent tenure free from rent might be more acceptable to the European capitalist, it is certain that to the native agricultural population of India, who do not possess capital, permanency of tenure and fixity of rent will afford all that they require, or from which they could derive any benefit. To hold out to them as a boon the offer of redemption, of which hardly any one could avail himself, would be merely illusory, nor would the object be attained which is prescribed in Lord Stanley's Dispatch, that in any recommendation which might be submitted the proposed benefits should be participated in by the agricultural community generally. By the Madras freehold rules it was at first directed that the sales should be made without any reservation of rent, but the planters complained that the capital required for clearing the forest would be exhausted in paying the purchase money. The capital which would be absorbed in purchasing the fee simple and redeeming the land-tax would be more profitably expended in improving the land.

"In either case, whether the land revenue were redeemed, or its amount fixed in perpetuity, the benefit of all improvements would equally go into the pocket of the landholder, nor could he have any difficulty in paying the moderate rent which is now universally fixed on revising the assessments.

"Her Majesty's Government have, therefore, determined to limit the power of redeeming the land revenue to such cases as are referred to above in paragraph 26; but they have resolved to sanction a permanent settlement of the land revenue throughout India. It will, however, still remain to be determined how far any particular district is in a condition to warrant the practical application of the measure at the present time."

III.—EXTRACTS from the SPEECH delivered by LORD OVERSTONE in the House of Lords, 15th March 1860.

"Let us now, my Lords, turn our attention for a few moments to the effects of this treaty in a fiscal point of view. It has compelled us to give up much revenue that we could ill afford to part with; to surrender taxes that

were singularly unexceptionable, and to impose other taxes as a substitute which are open to the most serious objections. We are about to repeal duties on French luxuries: brandy, wines, manufactured silks, gloves, clocks and watches, and articles of Parisian fancy and taste; whilst, instead of these, we maintain high duties on tea, sugar, and beer, the prime articles of consumption of the classes living upon wages.

"This leads me to some points which have been alluded to this evening, but which have been brought into more prominent notice in discussions upon this subject out of doors. The principles of 'free-trade,' 'differential duties,' 'development of the policy of Sir Robert Peel;' those phrases have been paraded before the public like the dancing lights of a magic lantern. But let us endeavour for a moment to fix our attention upon them, and ascertain what they have of reality and sound reasoning. It is important that the country should clearly understand what is the true meaning of *free trade*. It means trade freed, not from those necessary duties which are raised only for purposes of revenue, but trade freed from all charges or duties which arise either from an ignorant jealousy of other countries, or from an equally foolish impression that it is our interest to foster unnatural productions in our own country, rather than to receive them from other countries whence, being produced under more favourable circumstances, they can be obtained in larger quantities, of better quality, and at a lower price. This I apprehend to be the true meaning of free-trade. It was so understood and described in the celebrated petition of the merchants of London, presented to Parliament in the year 1820: 'As long as the 'necessity for the present amount of revenue subsists, your petitioners, 'cannot expect so important a branch of it as the Customs to be given 'up, or to be materially diminished, unless some substitute less objection-'able be suggested; but it is against every restricted regulation of trade not 'essential to the revenue, against all duties merely protective from foreign 'competition, and against an excess of such duties as are partly for the 'purpose of revenue and partly for that of protection, that the prayer of 'the present petition is respectfully submitted to the wisdom of Parliament.' My Lords, are not the duties now proposed to be repealed, in the full sense of the words, 'essential to the revenue?' And can we consider the substitute suggested, namely, a heavy income-tax, as less objectionable? Every one of the duties proposed to be abolished in consequence of this treaty might be retained without any violation of the principles of free-trade.

"But, again, my Lords, upon what principle did Sir Robert Peel proceed? He proposed to remove two classes of duties; duties upon the raw materials of industry, and duties upon the prime articles of the food of the people. Are we proceeding in this course at present? Are we not taking off duties upon the lighter luxuries which are derived from France, and maintaining the duties upon articles of general consumption by the people? The object of Sir Robert Peel was to relieve the physical wants of

the labouring classes, by cheapening the cost of provisions and clothing, and to raise their wages by giving increased facilities to manufacturing industry. The taxes which it is now proposed to reduce are not levied upon necessaries of life, nor upon the raw materials of manufacturing industry.

" My Lords, there still remains one consideration, that which has been already alluded to with so much gravity and force by the noble Earl (Grey), the connection between this treaty and the general financial arrangements of the year. I speak not my own feelings and conviction alone, but those of many intelligent and reflecting persons, friends to the Government and to liberal principles, who entertain serious alarm at the effect which the financial arrangements of Government for the present year must in their judgment produce on the permanent financial condition of the country. We are about to surrender large sources of revenue which the country can ill spare, and which there is no necessity for sacrificing. We are contracting the area of indirect taxation, which is at once unwise and dangerous. We are proceeding to levy customs' duties, heavy in amount, on a few articles, iustead of lighter duties spread over a greater number of articles. And what are the articles upon which those heavy duties are to be levied ? They are articles of prime necessity with the mass of the people. It is fortunate, indeed, that tea and sugar are not the natural products of France; otherwise, I presume the duties upon those articles must have been abandoned, and we must have parted with those important sources of revenue.

" It has, indeed, been made a subject of boast in the course of this debate that we are accumulnting our indirect taxation upon a few articles only. Let me entreat your Lordships to consider for a moment what is necessarily involved in this system. Why is so large a revenue raised from these few articles of taxation,—tea, sugar, coffee, tobacco ? It is because these are articles of prime necessity with the great mass of the people, and therefore productive of a large revenue. Consequently, if we persist in the principle of raising a large revenue by customs' duties upon a few articles, these must necessarily be the articles of general consumption with the people. On the other hand, if we repeal the duty upon all articles which yield but a limited amount of revenue, the repeal must fall, for the most part, upon those articles which are in reality consumed only by the comparatively rich classes. To levy a large customs' revenue upon a few articles, at the same time repealing customs' duties upon all articles which yield only a small revenue, necessarily involves the principle of taxing the consumption of the people generally, and removing the taxes which press more peculiarly upon the richer classes. The luxuries derived from France are to go untaxed, whilst from tea, sugar, coffee, and tobacco (articles of almost absolute necessity to the mass of the people) a large and heavy amount of revenue is to be raised. Is this a safe system upon which to proceed ? Or can we expect that the people at large will tolerate such a system of customs' revenue.

"My Lords, how many delicate, difficult, and dangerous questions beset the assessment of an income tax? And what financial provision do we reserve for the emergencies of war, if, during a period of peace, we press thus heavily on our great resource, the income tax? To meet the necessities of the last year, we imposed temporarily a heavy income tax; and we proceeded to collect the whole of that tax upon the last half of the year. By this step, an injustice, perhaps the greatest and most palpable that has ever been perpetrated in any financial arrangement, was inflicted upon one class of persons. At that time, one final payment of the long annuities remained to be made. That payment was in reality a repayment of capital, and not of income. Nevertheless, on that payment the Government levied a whole year's income tax. That was a special case of unquestionable hardship and injustice. It was, however, accidental; it could not recur, and therefore it was acquiesced in without murmur. But the repetition of similar cases of injustice, which must arise under an income tax liable to annual variations of amount, will not be borne. These questions, as regards terminable annuities and precarious annuities, the profits of professions and of trade, salaries, &c., will rise up in endless variety. I have been told, and I believe upon good authority, that when Sir Robert Peel first proposed the income tax, he sat up night after night consulting with mathematicians, actuaries, and financial authorities, to ascertain whether any modification of the tax could be safely made with regard to the different classes of income. He found, however, that it was impossible to do anything of the kind; that every provision by which it was attempted to meet one difficulty would create a greater difficulty in its stead; and he, therefore, came to the conclusion that it was necessary to impose the same rate of tax upon all descriptions of income. I believe to that conclusion every inquiry upon the subject must inevitably lead. There is but one mode by which the income tax can be made to approach to equality or justice; that is, by making the tax permanent and invariable in amount; so that the character of the tax will assimilate itself to the character of each varying income. In this form, a moderate income tax may become a steady and fixed element in the financial system of the country, susceptible of sudden increase only in the emergency of war.

"There remains another question with regard to the income tax of very serious import, namely, the question of a graduated income tax. In the accounts which have recently reached this country from India, it appears that the Government there are about to impose an income tax of two per cent. on incomes up to a certain amount, and of four per cent. upon all incomes above that amount. Is this one of those cases in which coming events cast their shadows before? Is there now rising in the East the ill-omened star which is destined shortly to shed its disastrous influence over the financial system of this country? A graduated income tax is one of the plausible and dangerous forms under which the principle of confiscation makes its first insidious approaches."

IV.—ACCOUNT of the PUBLIC INCOME of the UNITED KINGDOM, specifying its different Sources and the Amount derived from each, during 1861 and 1862.

INCOME.	1861.		1862.	
	£	£	£	£
CUSTOMS AND EXCISE.				
Spirits { Foreign	890,169	– –	928,716	
Spirits { Rum	1,733,446	– –	1,720,583	
Spirits { British	9,225,539	– –	9,618,291	
Malt	6,208,813	– –	5,897,902	
Hops	630,155	– –	324,854	
Wine	1,144,794	– –	1,104,476	
Sugar and Molasses	6,067,390	– –	6,351,289	
Tea	5,419,552	– –	5,516,594	
Coffee	439,422	– –	439,078	
Tobacco and Snuff	5,806,486	– –	5,896,211	
		37,365,748		37,498,394
Currants and Raisins	321,063	– –	316,394	
Corn	868,526	– –	800,886	
Pepper	97,207	– –	103,344	
Paper	1,342,186	– –	349,269	
Timber	235,792	– –	241,313	
Charges on Deliveries, Bills of Lading, &c., 23 Vict. c. 22, and 23 & 24 Vict. c. 110.	181,812	– –	230,959	
Excise Licences / Post-horse Duties	1,492,087	– –	1,500,613	
Game Certificates	129,906	– –	140,984	
Hackney Carriages	87,751	– –	91,184	
Stage Carriages	127,883	– –	125,422	
Railways	286,280	– –	372,178	
Miscellaneous of Customs and Excise	209,443	– –	294,745	
		5,400,635		4,467,291
TOTAL CUSTOMS AND EXCISE	– –	42,826,383	– –	41,965,685
STAMPS.				
Deeds and other Instruments	1,227,848	– –	1,236,152	
Probates and Legacies	3,460,119	– –	3,573,638	
Insurances { Marine	325,849	– –	333,199	
Insurances { Fire	1,485,540	– –	1,534,870	
Bills of Exchange, and Bankers' Notes	643,442	– –	653,916	
Newspapers and Advertisements	124,090	– –	128,127	
Receipts	436,602	– –	423,954	
Other Stamp Duties	566,286	– –	706,508	
		8,268,969		8,590,854
ASSESSED AND LAND TAXES.				
Land Tax	1,144,672	– –	1,134,984	
Houses	822,986	– –	820,923	
Servants	202,105	– –	201,347	
Horses	368,242	– –	368,825	
Carriages	330,192	– –	332,749	
Dogs	197,520	– –	196,527	
Additional 10 per cent.	1,986	– –	1,432	
Other Assessed Taxes	77,417	– –	73,375	
		3,145,070		3,155,982
PROPERTY AND INCOME TAX	– –	10,957,061	– –	10,471,298
POST OFFICE	– –	3,407,063	– –	3,552,093
CROWN LANDS	– –	412,451	– –	417,468
Other Ordinary Revenue, and other Resources	– –	1,453,101	– –	1,747,394
TOTAL INCOME	– –	70,769,998	– –	69,900,825
Excess of Expenditure over Income	– –	2,474,670	– –	2,250,929
		73,044,668	– –	72,151,754

ACCOUNT of the EXPENDITURE of the UNITED KINGDOM during 1861 and 1862; specifying the different Items and the Amounts of each.

EXPENDITURE.	1861.		1862.	
	£	£	£	£
REVENUE.—CHARGES OF COLLECTION.				
Civil Departments { Customs	753,114	–	714,908	
Civil Departments { Inland Revenue	1,341,934	–	1,295,267	
		2,095,048		2,010,175
Preventive Service, Harbour Vessels (Customs)	–	2,373	–	3,381
		2,100,421		2,013,556
Land Revenues of the Crown	–	30,988	–	29,048
Superannuation and other Allowances	–	446,687	–	468,576
TOTAL CHARGES OF COLLECTION OF THE REVENUE, EXCLUSIVE OF POST OFFICE	–	2,578,096	–	2,511,180
PUBLIC DEBT.				
Interest on Permanent Debt	24,672,153	–	23,646,032	
Terminable Annuities	1,946,633	–	1,887,968	
Management [a]	70,081	–	56,806	
Unclaimed Dividends repaid	142,114	—	—	
	25,830,981	–	25,541,706	
Interest on Exchequer Bills	300,087	–	478,400	
Interest on Exchequer Bonds	100,000	–	122,500	
TOTAL DEBT		26,231,018		26,142,606
CIVIL GOVERNMENT.				
Civil List—Privy Purse; Salaries of the Household and Tradesmen's Bills.	371,800	–	371,800	
The Allowances to the several Branches of the Royal Family, and to his Royal Highness, Leopold, Prince of Saxe Coburg (now King of the Belgians).†	143,285	–	115,987	
The Lord Lieutenant of Ireland's Establishment	25,251	–	23,242	
The Salaries and Expenses of the Houses of Parliament (including Printing).	158,389	–	139,080	
Civil Departments, including Superannuation Allowances	716,496	–	714,528	
Other Annuities, Pensions, and Superannuation Allowances on the Consolidated Fund.	202,537	–	197,025	
Pensions, Civil List	18,160	–	19,200	
TOTAL CIVIL GOVERNMENT		1,635,848		1,583,812
JUSTICE.				
Courts of Justice	1,171,003	–	1,200,095	
Police, and Criminal Prosecutions	1,273 631	–	1,291,052	
Correction	791,709	–	941,991	
TOTAL JUSTICE		3,236,343		3,433,138
DIPLOMATIC.				
Foreign Ministers' Salaries and Pensions	172,458	–	174,424	
Consuls' Salaries and Superannuation Allowances	239,796	–	171,007	
Disbursements, Outfits, &c.	94,427	–	91,000	
TOTAL DIPLOMATIC		506,681		436,431
FORCES.				
Army, including Ordnance { Effective; Charge	12,522,926	–	13,371,227	
Army, including Ordnance { Non-effective; Charge	2,447,074	–	2,199,612	
TOTAL ARMY		14,970,000		15,570,839
Navy { Effective; Charge	12,074,712	–	11,276,440	
Navy { Non-effective; Charge	1,256,956	–	1,321,602	
TOTAL NAVY		13,331,668		12,598,042
TOTAL FORCES		28,301,668		28,168,911
Operations in China (Naval and Military)	3,943,896	–	1,220,000	
Expenses of Fortifications, 23 & 24 Vict. c. 109	50,000	–	970,000	
Extraordinary Expenses of the late Russian War	–	–	83,431	
		3,993,896		2,283,431
Bounties, &c., for promoting Fisheries	–	11,698	–	21,018
Public Works	–	810,631	–	879,261
Payments out of the Revenue of Crown Lands, for Improvements, &c.	–	91,480	–	106,096
Post Office: Charges of Collection and other Payments	–	2,006,294	–	2,131,338
Quarantine Establishments	–	3,500	–	3,644
Miscellaneous, not classed under the foregoing Heads	–	4,527,504	–	4,478,921
TOTAL EXPENDITURE	–	73,044,668	–	72,151,786
MEMORANDUM:—				
The Amount of Terminable Annuities at the end of each Year was	–	1,900,473	–	1,013,684
In corresponding Perpetuities, as estimated by Mr. Finlaison	–	563,432	–	561,666
DIFFERENCE	–	1,292,041	–	1,372,018

[a] These sums are the net amounts paid to the Bank of England after deducting 60,000*l.* for composition for Stamp Duty, and 128,078*l.* for allowance out of the profits of issue, per Act 7 & 8 Vict. c. 32, and do not include the management of the Government debt to the Bank.

† No part of this Allowance is at present paid for the use of King Leopold. The Trustees, after discharging certain Annuities and Pensions to the Establishment of the late Princess Charlotte, repay the Balance of the Annuity to the Exchequer. The sum so repaid in the last year was 36,000*l.*

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
No. 1.—CHARGES OF COLLECTION.						
CUSTOMS:—						
Salaries and Allowances	536,235			545,629		
Day Pay	86,397			88,432		
Allowances for Special Services, and Travelling Charges.	19,377			18,691		
Tradesmen's Bills, Building, Repairs, and Rent.	37,883			39,799		
Taxes, Tithes, and Insurance	5,216			4,530		
Law Charges, and Rewards for Seizures.	6,065			7,321		
Stationery, Printing, Postage, &c.	728			745		
Other Payments	9,215			9,761		
		753,114			714,908	
INLAND REVENUE:—*						
Salaries and Allowances	785,793			790,792		
Poundage to Distributors of Stamps	60,526			59,605		
" to Clerks of Local Commissioners of Taxes, and to Collectors and Assessors of Taxes.	257,205			232,565		
Allowances for Special Services, and Travelling Charges.	76,802			78,033		
Tradesmen's Bills, Buildings, and Repairs.	37,518			24,824		
Rent, Taxes, and Tithes	15,021			13,969		
Law Charges	6,381			6,432		
Stationery, Printing, Postage, &c.	28,639			28,701		
Other Payments	77,049			60,346		
		1,344,034			1,295,267	
			2,098,048			2,010,175
PREVENTIVE SERVICE:—						
Harbour Vessels, Customs: Repairs, Victualling, and Stores			2,373			3,521
WOODS AND FORESTS:—						
Salaries and Allowances (*v.* also p. 7)	7,433			7,272		
Poundage	9,849			9,541		
		17,282			16,813	
Salaries to Wardens, Rangers, &c.		2,406			2,503	
Ancient Pensions and Payments to Schools, including Payments transferred from the Civil List.		11,210			9,732	
			30,988			29,048
MISCELLANEOUS:—						
SUPERANNUATION or Retired Allowances:						
Customs	178,762			171,067		
Inland Revenue	171,461			169,845		
		350,223			340,912	
COMPENSATION Allowances for Offices Abolished, Reduced, or Consolidated, or for Loss of Fees or Patent Offices Abolished:						
Customs	59,223			90,847		
Inland Revenue	22,912			22,811		
		28,135			113,658	
PENSIONS to Wounded Men, Widows and Children, and Allowances payable out of the late Charitable Fund:						
Customs	6,732			6,452		
Inland Revenue	7,597			7,554		
		14,329			14,006	
			416,687			463,576
TOTAL CHARGES of Collection of the REVENUE, exclusive of Post Office.			2,578,096			2,511,799

* Since the consolidation of the Departments of Excise and Stamps and Taxes, it has been impossible to distinguish the Charges of Collection under those heads of Revenue with any accuracy; it is, therefore, no longer attempted.

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
No. 2.—PUBLIC DEBT.						
Interest on Permanent Debt	23,672,153			23,646,932		
Terminable Annuities	1,946,633			1,837,968		
Management	70,031			56,806		
Unclaimed Dividends repaid	142,114			—		
		25,830,931			25,541,706	
Interest on Exchequer Bills		300,087			478,400	
„ Exchequer Bonds		100,000			122,500	
TOTAL DEBT			26,231,018			26,142,609
No. 3.—CIVIL GOVERNMENT.						
Privy Purse; Salaries of the Household; Tradesmen's Bills.		371,800			371,800	
Allowances to the several Branches of the Royal Family, and to his Royal Highness, Leopold, Prince of Saxe Coburg (now King of the Belgians.)		143,235			115,937	
The Lord Lieutenant's Establishment, Ireland:—						
Salary of the Lord Lieutenant	20,000			20,000		
Establishment	5,251			6,242		
		25,251			26,242	
Houses of Parliament:—						
Speaker of the House of Commons (Salary).	5,000			5,000		
Salaries and Expenses; Officers of Two Houses of Parliament.	80,685			62,200		
Printing; Houses of Parliament	72,684			71,820		
		158,369			139,020	
CIVIL DEPARTMENTS:—						
Treasury	47,095			49,173		
Home Department	23,687			21,753		
Foreign Department	62,145			55,715		
Colonial Department	29,208			26,449		
Privy Council Office and Board of Trade.	67,652			71,103		
Audit Office	40,469			36,192		
Exchequer	8,528			8,140		
National Debt Office	14,652			14,482		
Mint, including Coinage	50,065			62,405		
State Paper Office and Record Offices.	16,689			16,253		
Public Works Loan and West India Relief Commissioners.	3,720			4,020		
Board of Education, Ireland	400			1,093		
Office of Paymaster of Civil Services, Ireland.	5,004			—		
Officers of the late Irish Treasury	183			183		
Office of Public Works, Ireland	21,105			25,161		
Chief and Under Secretary's Office, Dublin Castle.	15,854			12,973		
Paymaster-General's Office	19,262			17,550		
Registrar of Births, Deaths, and Marriages (England, Scotland, and Ireland).	45,708			44,164		
Office of Lord Privy Seal	2,120			2,560		
General Board of Health (Local Government Act Office).	5,010			4,000		
Superannuation Allowances, including those of the Quarantine Establishments.	152,922			158,980		
Inspectors and Superintendents of Factories.	23,140			21,305		
Office of Works, and Public Buildings.	28,559			27,333		
Office of Woods, Forests, and Land Revenues.	26,783			25,108		
Joint Stock Companies Registration Office.	1,060			1,000		
Civil Service Commission	5,476			5,606		
Landed Estates Record Offices				1,813		
		716,496			714,528	

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
ANNUITIES and PENSIONS for CIVIL, MILITARY, and JUDICIAL SERVICES, granted by various Acts of Parliament:—						
For Naval and Military Services	37,997			37,997		
Civil Services, including Superannuation Allowances,	34,112			32,321		
Judicial Services	72,571			71,859		
The Servants of their late Majesties, King George the Third, and Queens Charlotte and Caroline.	2,621			2,534		
Pensions formerly on the Civil List, and Four-and-a-Half per Cent. Duties.	42,838			40,236		
On the Consolidated Fund, Ireland	5,038			4,718		
	195,177			189,665		
Hereditary Pensions	7,360			7,360		
		202,537			197,025	
Pensions on the Civil List (5th Class).		18,160			19,269	
TOTAL CIVIL GOVERNMENT			1,635,848			1,83,81
No. 4.—JUSTICE.						
England: Courts of Justice:						
The Lord Chancellor	6,000			6,000		
Two Lords Justices of Appeal	12,000			12,000		
Three Vice-Chancellors	15,000			15,000		
Master of the Rolls	6,000			6,000		
Puisne Judges: Chief and Queen's Bench	28,000			28,000		
Puisne Judges: Common Pleas	27,000			27,000		
Puisne Judges: Exchequer	27,000			27,000		
Judge of the Court of Probate	5,000			5,000		
Salaries and Expenses of the Court of Probate.	39,280			61,980		
Insolvent Debtors' Court	5,776			6,776		
Charges formerly paid out of the County Rates.	180,000			157,000		
Judge of the High Court of Admiralty, and Expenses of Admiralty Court.	14,675			14,950		
Revising Barristers	17,850			17,850		
Salaries under various Acts	4,905			4,975		
Compensation Allowances, &c., 1 Will. 4. c. 58, &c.	51,638			51,044		
Ditto, under Probate Court Act	120,166			117,125		
Ditto, under Commutation				10,000		
Clerk of the Crown, Court of Chancery.	1,200			1,200		
Clerk of the Crown, Queen's Bench	1,820			3,420		
Assistant Judge of the Middlesex Court of Sessions.	1,200			1,200		
Salaries of Judges of County Courts	76,800			76,797		
Salaries of Treasurers, and Expenses, of County Courts, 9 & 10 Vict. c. 95.	180,275			196,320		
Sir Lawrence Peel, for attending the Judicial Committee of the Privy Council.	400			400		
Salaries under the Patent Law Amendment Act.	27,624			22,005		
		840,509			871,042	
Scotland: Judicial Establishment		120,571			118,576	
Ireland: Courts of Justice:						
Lord Chancellor	8,000			8,000		
Lord Justice of Appeal	1,000			1,000		
Master of the Rolls	3,969			3,969		
Masters in Ordinary and others, Court of Chancery.	18,109			18,794		
To make good the deficiency of the Fee Fund of the Court of Chancery.	27,100			29,500		

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
Judges and Officers of the Court of—						
Queen's Bench, Ireland	16,178	- -	- -	16,178		
Common Pleas ditto	15,679	- -	- -	15,679		
Exchequer ditto	16,048	- -	- -	15,679		
Officers of the three above-mentioned Courts, including Taxing Officers.	32,646	- -	- -	32,329		
Judge of Probate Court	3,500	- -	- -	3,500		
Salaries, &c. of the Court of Probate	5,230	- -	- -	9,230		
Judge of the Admiralty Court	500	- -	- -	500		
Insolvent Debtors' Court	11,628	- -	- -	7,726		
Lodging Money to Judges	2,212	- -	- -	2,212		
Compensation Allowances, 7 & 8 Vict. c. 107.	11,770	- -	- -	11,385		
Registrars to the Judges, and Clerk of the Court of Errors.	3,200	- -	- -	5,464		
Office of the Clerk of the Writs and Appearances, and Seal Expenses.	1,975	- -	- -	3,453		
Registrar of Judgments	2,650	- -	- -	3,047		
Revising Barristers, Dublin	350	- -	- -	420		
Lauded Estates Court	15,311	- -	- -	18,662		
High Court of Delegates, Fees to Advocates.	200	- -	- -	50		
Manor Court Compensations	3,700	- -	- -	3,700		
		200,955			210,477	
England: Police and Criminal Prosecutions:—		1,171,005			1,200,095	
Police, Counties and Boroughs	248,475	- -	- -	224,575		
Police Offices, Metropolis	49,700	- -	- -	43,837		
Metropolitan Police	133,589	- -	- -	141,404		
Mint Prosecutions, and Law Charges	31,790	- -	- -	28,395		
Criminal Prosecutions; *see* Charges formerly paid out of County Rates						
Scotland: Criminal Prosecutions	3,500	- -	- -	4,600		
Ireland:						
Barristers of Counties	32,016	- -	- -	32,050		
Criminal Prosecutions	61,918	- -	- -	59,056		
Police and Watch of Dublin	47,980	- -	- -	47,051		
Constabulary Police	612,729	- -	- -	650,480		
Ditto, Superannuation Allowances, 10 & 11 Vict. c. 100.	56,963	- -	- -	59,604		
		1,273,631			1,291,052	
England: Correction: Prisons and Convict Services; viz.,—						
General Superintendence	18,545	- -	- -	14,195		
Government Prisons and Convict Establishments at Home.	368,100	- -	- -	356,908		
Maintenance of Prisoners in County Gaols, Reformatories, and Lunatic Asylums.	205,544	- -	- -	214,333		
Expenses of Transportation	48,782	- -	- -	13,000		
Convict Establishments in the Colonies.	13,238	- -	- -	222,590		
Ireland:						
Officers of Prisons	1,300	- -	- -	2,034		
Scotland: Salaries to Sheriffs, and other Expenses.	121,200	- -	- -	118,931		
		791,709			941,991	
TOTAL JUSTICE	- -		3,236,345	- -		3,433,138
No. 5.—DIPLOMATIC.						
Salaries: Ministers at Foreign Courts	152,000	- -	- -	154,000		
Pensions: ditto	20,458	- -	- -	20,424		
		172,458			174,424	
Consuls-General and Consuls' Salaries	219,229	- -	- -	150,143		
Consuls-General and Consuls' Pensions	20,567	- -	- -	20,864		
		239,796			171,007	
Outfits, Special Missions, &c.	- -	56,427	- -	- -	53,000	
Extraordinary Expenses of Ministers at Foreign Courts.	- -	38,000	- -	- -	38,000	
TOTAL DIPLOMATIC	- -		506,681			456,431

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
No. 6.—FORCES.						
Army, including Ordnance:						
Effective - { Number of Men	- -	(123,244)	- -	- -	(147,544)	
Effective - { Charge - -	12,522,926	- -	- -	13,371,257	- -	
Non-effective { Number of Men	- -	(62,751)	- -	- -	(61,716)	
Non-effective { Charge - -	2,444,074	- -	- -	2,199,612	- -	
		14,970,000			15,570,869	
Navy:						
Effective - { Number of Men	- -	(80,340)	- -	- -	(79,322)	
Effective - { Charge - -	12,074,712	- -	- -	11,276,440	- -	
Non-effective { Number of Men	- -	(17,014)	- -	- -	(16,899)	
Non-effective { Charge - -	1,256,956	- -	- -	1,321,602	- -	
		13,331,668			13,598,042	
TOTAL FORCES - -	- -		28,301,668			29,168,911
Operations in China (Naval and Military).	- -	3,043,896	- -	- -	1,230,000	
Expenses of Fortifications, 23 & 24 Vict. c. 109.	- -	50,000	- -	- -	970,000	
Extraordinary Expenses of the late Russian War.	- -	- -	- -	- -	53,431	
			3,093,896			2,253,431
No. 7.—BOUNTIES, &c.						
For promoting Fisheries. Salaries, &c., White Herring Fishery Board - - - - - For building Piers and Quays, and for Repairs of Boats of Poor Fishermen -	- -	- -	11,698	- -	- -	21,615
No. 8.—PUBLIC WORKS.						
Commissioners of Highland Roads and Bridges.	5,000	- -	- -	5,000		
Royal Palaces and Public Buildings, Repairs.	145,317	- -	- -	151,279		
Houses of Parliament, Buildings -	42,525	- -	- -	45,997		
Improvement of Harbours, Isle of Man	- -	- -	- -	23,038		
Harbours of Refuge, &c. - - -	165,000	- -	- -	174,000		
Holyhead and Port Patrick Harbours, &c.	72,403	- -	- -	58,702		
Royal Parks, Pleasure Grounds, &c. -	85,440	- -	- -	103,298		
Windsor Castle, Improvements - -	6,000	- -	- -	3,760		
Downing Street Buildings, and Site for new Public Offices, &c.	29,000	- -	- -	67,000		
Embassy Houses Abroad - - -	4,025	- -	- -	3,000		
Furniture for Public Offices - -	22,000	- -	- -	15,000		
Galleries, South Kensington Museum -	- -	- -	- -	4,000		
War Department, additional Offices -	1,500	—	—	—		
Serpentine River - - - -	12,500	—	—	—		
Probate Court and Registries - -	19,130	- -	- -	27,000		
Crinan Canal - - - -	5,260	—	—	—		
National Gallery, Ireland - - -	5,000	- -	- -	5,000		
General Register House, Edinburgh, Buildings.	7,740	- -	- -	4,500		
National Gallery, England, additional Accommodation.	11,000	- -	- -	4,000		
Embankment and Approach to the New Bridge at Westminster.	3,200	- -	- -	23,000		
Building ditto - - - -	58,170	- -	- -	44,606		
British Embassy House, Paris - -	2,000	- -	- -	3,000		
Industrial Museum, Edinburgh - -	- -	- -	- -	16,200		
British Consulate, Constantinople -	10,950	- -	- -	3,982		
King's College, Aberdeen, Repairs -	800	- -	- -	2,000		
Newhaven Harbour, Sussex - -	1,250	—	—	—		
		715,200			787,362	
Commissioners of Public Works, Ireland, for—						
Civil Buildings, &c., Ireland - -	76,421	- -	- -	86,673		
Kingstown Harbour - - - -	5,000	- -	- -	4,226		
New Courts of Law, Dublin - -	14,000	- -	- -	1,000		
		95,421			91,899	
TOTAL PUBLIC WORKS -	- -		810,631	- -		879,261

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
No. 9.—PAYMENTS out of the REVENUE of CROWN LANDS for Improvements, &c.						
Repairs and Improvements, Crown Lands, &c.	48,553	- -	- -	62,905		
For repairing and maintaining Buildings, Walls, Fences, and Roads, and for making Inclosures and Plantations in the Royal Forests.	41,836	- -	- -	44,990		
		90,389			107,895	
Treasury, Parliamentary, and Record Office Fees.	- -	1,100	- -	- -	200	
TOTAL CROWN LANDS	- -		91,489	- -		108,095
No. 10.—POST OFFICE.						
Charges of Collection, and other Payments:—						
Expenses of Metropolitan Establishments, Official Postage, Rents, Coals, &c., and Law Charges:—						
London - - - - -	421,341	- -	- -	452,692		
Dublin - - - - -	37,906	- -	- -	41,167		
Edinburgh - - - - -	29,672	- -	- -	30,654		
Salaries and Travelling Expenses of Surveyors and Clerks in the United Kingdom and Colonies.	41,451	- -	- -	41,150		
Provincial Establishments: England - -	450,776	- -	- -	434,414		
Provincial Establishments: Ireland - -	50,908	- -	- -	50,097		
Provincial Establishments: Scotland - -	72,039	- -	- -	69,160		
Establishments in the Colonies, and Agents abroad.	16,070	- -	- -	12,758		
Conveyance of Mails - - -	758,547	- -	- -	853,907		
Buildings and Repairs - - -	51,319	- -	- -	65,460		
Manufacture of Postage Labels - -	27,129	- -	- -	27,475		
		1,957,160			2,078,934	
Superannuation Allowances - -	- -	44,874	- -	- -	47,756	
Allowances for Offices abolished, and Compensations for Loss of Fees.	- -	4,147	- -	- -	4,524	
Allowances to Wounded Men and Widows of Seamen in the Packet Service.	- -	113	- -	- -	124	
TOTAL POST OFFICE	- -		2,006,294	- -		2,131,338
No. 11.—QUARANTINE ESTABLISHMENTS.						
Quarantine Expenses (exclusive of Superannuations.)	- -	- -	3,500	- -	- -	3,644
No. 12.—MISCELLANEOUS.						
Classed under the following Heads:—						
No. 1.—COLONIAL CHARGES.						
2.—ALLOWANCES, GRATUITIES, AND REMUNERATION FOR PUBLIC SERVICES AND LOSSES.						
3.—ALLOWANCES FOR SPECIAL AND TEMPORARY OBJECTS.						
4.—FOR PUBLIC CHARITABLE INSTITUTIONS.						
5.—FOR EDUCATION, SCIENCE, AND ART.						
6.—OTHER MISCELLANEOUS CHARGES OF A PERMANENT NATURE.						
7.—OTHER MISCELLANEOUS CHARGES OF A CASUAL AND TEMPORARY NATURE.						
8.—ABOLITION OF SLAVERY.						

EXPENDITURE.	1861.			1862.		
No. 1.—COLONIAL CHARGES.	£	£	£	£	£	£
The Expenses of the Ecclesiastical Establishment in the West Indies.	20,800	-	-	20,300		
Civil Establishments:—						
Bermuda	4,300	-	-	3,300		
West Coast of Africa	15,000	-	-	15,730		
Falkland Islands	3,067	-	-	8,053		
Heligoland	960	-	-	960		
Labuan	6,655	-	-	8,014		
British Kaffraria	1,000	-	-	41,000		
British Columbia	30,000	-	-	17,800		
Civil and Military Establishments, St. Helena.	6,004	-	-	5,654		
Orange River Territory	1,000	-	-	3,966		
Clergy, North America	3,068	-	-	10,428		
Indian Department, Upper and Lower Canada.	441	-	-	4,642		
Salaries of Governors and others, West Indies.	24,728	-	-	23,728		
Emigration Expenses	10,000	-	-	15,562		
Stipendiary Magistrates, West Indies	-	-	-	36,263		
Lighthouses Abroad, and Sable Island Establishment, Nova Scotia.	38,700	-	-	22,600		
China, Japan, and Siam	60,000	-	-	59,966		
Western Australia	3,000	—	—	—		
		228,283			297,966	
No. 2.—ALLOWANCES, GRATUITIES, AND REMUNERATION FOR PUBLIC SERVICES AND LOSSES.						
Dues under Treaties of Reciprocity	53,000	-	-	48,000		
Expenses of Officers connected with the Acts of Navigation, and for keeping the Accounts of Trade and Navigation of the Empire.	14,178	-	-	14,269		
Freight of Specie and Loss of Exchange (Treasury Chest).	37,442	-	-	125,098		
Inspectors of Corn Returns	3,500	-	-	3,000		
Salaries and Allowances to sundry Persons, formerly charged on the Civil List, Ireland.	809	-	-	787		
Compensation to Weighmasters of Butter in Ireland, for deficiency of Fees.	1,615	-	-	1,621		
Non-conforming Ministers in Ireland	29,693	-	-	39,494		
Augmentation of Stipends to Clergy, Scotland.	17,040	-	-	17,040		
Allowances to sundry Persons, as set forth in the Act 41 Geo. 3. c. 32.	1,045	-	-	1,045		
Local Assessments on Government Property.	30,000	-	-	26,000		
Sundry small Fees and Salaries formerly charged on the 7th Class of the Civil List.	83	-	-	83		
Salaries formerly charged on the Hereditary Revenue, Scotland.	6,001	-	-	6,000		
Compensation to sundry Persons for the Loss of their Offices on the abolition of the Duties on the Coinage of Tin.	16,444	-	-	16,443		
Receiver-General, Duchy of Lancaster, Annuity in lieu of Prisage and Butlerage on Wines imported into the Ports of that county.	803	-	-	803		
Merchant Seamen's Pensions	58,700	-	-	50,700		
Annual revision of the Valuation of Rateable Property in Ireland, 23 Vict. c. 4.	5,000	-	-	5,400		
		275,353			364,783	

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
No. 3.—ALLOWANCES FOR SPECIAL AND TEMPORARY OBJECTS.						
Salaries and Expenses of the Tithe Commissioners, and Copyhold Commissioners, and Salaries of the Inclosure Commissioners, per Act 6 & 7 Will. 4. c. 71. Expenses of the Inclosure Commissioners, per Act 6 & 7 Will. 4. c. 71.	29,950	- -	- -	28,219		
Ecclesiastical Commission	3,250	- -	- -	3,750		
North-West Australian Expedition	- -	- -	- -	200		
Commissioners for publishing the Ancient Laws of Ireland.	600	- -	- -	500		
Fiji Islands Inquiry	680	- -	- -	2,800		
Charity Commissioners, England and Wales.	17,070	- -	- -	16,398		
Burial Grounds Inspection	1,500	- -	- -	1,000		
Sundry Commissions (temporary)	37,480	- -	- -	14,706		
Police at the Camp, Aldershot	1,000	—	—	—		
Agricultural Statistics	3,100	- -	- -	3,142		
Niger Expedition	7,000	- -	- -	7,000		
Zambesi Expedition	5,000	- -	- -	3,000		
Pitcairn Islanders, Removal of, to Norfolk Island.	- -	- -	- -	1,289		
Submarine Telegraph Companies	26,000	- -	- -	26,457		
North American Exploring Expedition	6,300	—	—	—		
Ditto Boundary Commission	- -	- -	- -	60,000		
Rangoon and Singapore (now Malta and Alexandria) Telegraph.	151,000	- -	- -	36,000		
Boundary Survey, Ireland	350	- -	- -	1,200		
Window in Glasgow Cathedral	- -	- -	- -	100		
Neill and Havelock Statues	1,092	—	—	—		
Statue of Richard Cœur de Lion	1,200	- -	- -	400		
Plans, &c., for Main Drainage of Metropolis.	- -	- -	- -	413		
Monument to the late Duke of Wellington.	2,600	—	—	—		
Ditto Phœnix Park	500	- -	- -	1,414		
Captain M'Clintock's reward, &c.	5,000	- -	- -	600		
Nelson Column	- -	- -	- -	1,000		
Professor Hansen, of Gotha	1,000	—	—	—		
		301,672			210,168	
No. 4.—FOR PUBLIC AND CHARITABLE INSTITUTIONS.						
Expenses of the Establishment for the Administration of the Poor Laws.	237,638	- -	- -	207,711		
Refuge for the Destitute (London)	325	- -	- -	325		
Meath Hospital, Ireland	300	- -	- -	350		
House of Industry Hospitals, do.	7,100	- -	- -	7,200		
Westmoreland Lock Hospital, do.	3,500	- -	- -	2,000		
Lying-in Hospitals, do. (Combe and Rotunda).	900	- -	- -	900		
Dr. Stevens's Hospital, do.	1,300	- -	- -	1,300		
St. Mark's Ophthalmic Hospital, do.	100	- -	- -	100		
Expenses of Board of Superintendence of Hospitals, Ireland.	220	- -	- -	245		
Board of Charitable Bequests, do.	1,150	- -	- -	1,348		
County Infirmaries, do.	1,900	- -	- -	2,578		
Fever Hospital, do.	2,500	- -	- -	2,500		
Charitable Allowances charged on the Concordatum Fund, Ireland, Vaccine Establishment, &c.	8,847	- -	- -	8,721		
Charitable and other Allowances (4th Class Civil List).	13,200	- -	- -	13,200		
Greenwich Hospital	20,000	- -	- -	20,000		
Polish Exiles and Spanish Refugees	2,853	- -	- -	3,210		
Toulonese and Corsican Emigrants	1,110	- -	- -	600		
Protestant Dissenting Ministers, Poor French Refugee Clergy and Laity, and Poor of St. Martin's-in-the-Fields	3,231	- -	- -	3,951		
Distressed British Seamen abroad.	20,000	- -	- -	23,400		
		326,224			300,739	

EXPENDITURE.	1861.			1862.		
	£	£	£	£	£	£
No. 5.—FOR EDUCATION, SCIENCE, AND ART.						
British Museum	101,850			100,414		
Royal Irish Academy	500			500		
Belfast Academy	1,962			2,463		
Inspectors of Anatomy, England and Scotland.	900			896		
Ditto Ireland	470			470		
Science and Art Department	99,951			114,484		
Scientific Works and Experiments	4,229			8,620		
Universities of Scotland	9,730			12,685		
Copyright Compensations, 6 & 7 Will. 4. c. 110.	3,029			3,029		
University of London	4,754			5,015		
Public Education, Great Britain	753,167			813,794		
Education, Ireland	234,403			281,723		
National Gallery (including the purchase of Pictures).	13,670			6,134		
British Historical Portrait Gallery	2,000			500		
Geographical Society	500			500		
Royal Society, Experiments for Public Objects.	1,000	—	—	—		
Drawings by Old Masters for the British Museum.	2,274	—	—	—		
The President, Vice-President, and Students of Maynooth College, and the Expense of the Establishment.	26,360			26,360		
Colleges in Ireland, 8 & 9 Vict.	25,787			25,800		
Queen's University, Ireland	2,371			1,536		
Designs, Registration of (London)	1,703	—	—	—		
		1,290,675			1,404,922	
No. 6.—OTHER MISCELLANEOUS CHARGES OF A PERMANENT NATURE.						
Home Secret Service	10,000			10,000		
Foreign Secret Service	30,638			30,700		
Civil Government of the Isle of Man	10,132			10,468		
Interest and Sinking Fund of Russian Dutch Loan.	80,761			78,993		
Civil Contingencies	103,373	—	—	—		
Stationery for Public Departments	287,601			334,398		
Postage of Letters for Public Departments.	114,628			140,148		
Interest and Sinking Fund of Greek Loan.	47,306			47,214		
Lunacy Commissioners, Salaries and Expenses (Great Britain).	18,086			17,904		
Inspectors of Lunatic Asylums (Ireland)	2,150			3,879		
Salary and Expenses of the General Superintendent of Turnpike Roads in South Wales.	1,223			1,223		
Post Office Packet Service	1,009,778			891,921		
		1,775,876			1,566,848	
No. 7.—OTHER MISCELLANEOUS CHARGES OF A CASUAL AND TEMPORARY NATURE.						
The Registrar of Friendly Societies, Deficiency of the Fee Fund, 13 & 14 Vict. c. 115, and 15 & 16 Vict. c. 65.	2,153			2,273		
Drawback on Wine, 23 Vict. c. 22.	283,218			386		
Redemption of Stade Tolls				153,086		
Expenses of the Census				113,000		
		290,371			268,745	
No. 8.—ABOLITION OF SLAVERY.						
Bounty on Slaves	25,000			57,000		
Bills drawn on account of captured Negroes.	14,000					
Commissioners to prevent Traffic in Slaves.	10,050			7,750		
		49,050			64,750	
			4,537,504			4,478,921
TOTAL EXPENDITURE			73,044,608			72,151,786

V.—A RETURN "of the Total Gross and Nett Amounts of the REVENUE of the UNITED KINGDOM in 1840–41, 1850–51, and 1860–61; showing the per-centage Cost of collecting the Revenue at each of those periods; showing also the Revenue derived from the Customs, Excise, Stamps, Taxes, Income Tax, Post Office, Crown Lands, and Miscellaneous Items.

	1840–41.			1850–51.			1860–61.		
	Gross Revenue (after deducting Drawbacks, &c.)	Nett Revenue (after deducting Charges of Collection).	Per-centage Cost of collecting Gross Revenue *before* Deduction of Drawbacks, &c.	Gross Revenue (after deducting Drawbacks, &c.)	Nett Revenue (after deducting Charges of Collection).	Per-centage Cost of collecting Gross Revenue *before* Deduction of Drawbacks, &c.	Grosss Revenue (after deducting Drawbacks, &c.)	Nett Revenue (after deducting Charges of Collection).	Per-centage Cost of collecting Gross Revenue *before* Deduction of Drawbacks, &c.
	£	£	£ s. d.	£	£	£ s. d.	£	£	£ s. d.
Customs	23,341,813	22,055,460	5 8 8½	22,019,754	20,735,979	5 15 8½	23,278,250	22,263,870	*4 6 3
Excise	14,785,595	13,762,337	6 10 11½	15,260,640	14,397,975	5 7 11½	19,548,133		
Stamps	7,287,823	7,123,724	2 3 8½	6,706,761	6,555,915	2 3 7½	8,368,870		
Taxes other than Income Tax.	4,157,754	3,966,731	4 11 9	4,540,564	9,729,909	3 3 3½	3,145,070	40,472,228†	3 11 9
Income Tax	- -	- -	- -	5,510,860			10,957,060		
Post Office	1,342,604	495,913	60 15 8½	2,261,262	823,362	58 12 10½	3,407,063	1,400,769	‡58 12 2
Crown Lands	482,421	444,835	7 15 9½	365,810	318,582	12 18 2½	412,451	389,294	12 5 6
Miscellaneous	295,500	295,500	- -	766,116	766,116	- -	1,453,101	1,453,101	—
£	51,693,510	48,144,500	6 14 1½	57,431,797	53,327,838	7 1 0½	70,569,998	65,959,262	6 10 0
Revenue £	27,036,450			27,724,849			§20,340,232		

* Since 1854, the Customs Charges of Collection have included the expenses of the Warehousing Department (amounting in the previous year to 115,255*l*. The expenses of the Coast Guard were transferred to the Admiralty in 1856–7. (In 1855–6 they amounted to 450,031*l*).

† Since the Consolidation of the Departments of Excise, Stamps, and Taxes, the Charges of Collection under those heads of Revenue cannot be separately stated.

‡ Exclusive of cost of Packet Service (1,041,742*l*.) paid in previous years by the Admiralty.

§ This number has not yet been finally revised.

VIII.—AN ACCOUNT of the QUANTITIES of TEA retained for Home Consumption in the Un Kingdom; the Rates of Duty chargeable thereon, and the Nett Receipt of Duty by Customs and Excise, in the following Years from 1740 to 1861 inclusive.

Years.	Retained for Home Consumption.	Rates of Duty Chargeable on Tea.	Nett Receipt of Duty.
	lbs.	per cent. ad valorem. per lb. £ s. d.	£
1740	1,493,625	13 18 7½ and 4s. - -	
1741	1,192,261	" - " - -	
1742	473,868	" - " - -	
1743	710,633	" - " - -	
1744	1,723,152	" - " - -	
1745	2,422,610	38 18 7½ and 1s. - -	
1746	2,496,379	" - " - -	
1747	215,019	43 18 7½ and 1s. - -	
1748	3,150,517	" - " - -	
1750	2,295,506	" - " - -	
1755	3,437,001	" - " - -	
1758	3,520,634	" - " - -	
1759	3,245,705	48 18 7½ and 1s. - -	
1760	3,860,976	" - " - -	
1765	5,204,219	" - " - -	
1766	5,185,831	" - " - -	
1767	4,921,131	48 18 7½ and 1s. except on Black and Single Teas.	Not ascertainable in these years from any existing records.
1768	7,676,243	" - " - -	
1769	9,114,845	" - " - -	
1770	8,634,054	" - " - -	
1771	6,306,881	" - " - -	
1772	6,721,606	48 18 7½ and 1s. on all sorts	
1773	3,776,229	" - " - -	
1774	6,728,721	" - " - -	
1775	6,155,783	" - " - -	
1776	4,467,609	" - " - -	
1777	5,119,862	" - " - -	
1778	4,179,761	" - " - -	
1779	6,341,936	51 7 6½ and 1s. 03-ths d.	
1780	7,328,098	" - " - -	
1781	4,883,970	53 6 3 and 1s. 1 1-5th d.	
1782	6,202,257	55 15 10 and 1s. 1 4-5ths d.	
1783	4,741,522	" - " - -	
1784	10,159,701	12 10 0 nil. - -	
1785	14,800,932	" - " - -	
1790	16,430,095	" - " - -	580,368
1791	17,091,627	" - " - -	650,726
1792	17,666,583	" - " - -	651,885
1793	17,492,686	" - " - -	649,121
1794	18,635,365	" - " - -	671,974
1795	21,342,845	20 0 0 - - -	759,202
1796	20,321,707	" - " - -	925,676
		If sold at or above 2s. 6d. per lb. £ s. d. / If sold at under 2s. 6d. per lb. £ s. d.	
1797	18,858,427	30 0 0 / 20 0 0	1,068,878
1798	22,483,258	35 0 0 / 20 0 0	1,214,915
1799	22,775,165	" / "	1,278,589
1800	23,271,799	40 0 0 / 20 0 0	1,222,087
1801	23,730,150	50 0 0 / 20 0 0	1,423,660
1802	25,400,294	" / "	1,632,467
1803	24,877,450	95 0 0 / 65 0 0	1,929,614
1804	22,057,046	" / "	2,599,739

Years.	Retained for Home Consumption.	Rates of Duty Chargeable on Tea.	Nett Receipt of Duty.
	lbs.	per cent. ad valorem. If sold at or above 2s. 6d. per lb. £ s. d. / If sold at under 2s. 6d. per lb. £ s. d.	£
1805	24,266,083	95 2 6 / 65 2 6	3,33
1806	22,249,485	96 0 / 0	3,44
1807	23,819,420	" / "	3,52
1810	24,485,408	" / "	3,64
1815	25,917,853	" / "	4,05
1816	22,693,992	" / "	3,36
1817	24,605,794	" / "	3,43
1818	26,527,531	" / "	3,87
		If sold at above 2s. per lb. / If sold at or under 2s. per lb.	
1819	25,241,693	100 0 0 / 96 0 0	3,68
1820	25,712,935	" / "	3,52
1825	29,238,174	" / "	4,03
1826	29,045,852	" / "	3,73
1827	29,931,178	" / "	3,76
1828	29,305,757	" / "	3,44
1829	29,496,205	" / "	3,35
1830	30,046,235	" / "	3,35
1831	29,997,055	" / "	3,34
1832	31,548,381	" / "	3,56
1833	31,829,620	" / "	3,44
			per lb. s. d.
1834	34,969,651	Nil. Bohea - - 1 6; Congou, Twankay, Hyson Skin, Orange Pekoe, and Campoi - 2 2; Other sorts - 3 0	3,589,
1835	36,574,004	- - - "	3,832,
1836	49,142,236	All sorts - 2 1	4,674,
1837	30,625,206	" - - "	3,223,
1838	32,351,593	" - - "	3,362,
1839	35,127,287	" - - "	3,658,
1840	32,252,628	" - - 2 0	3,472,
1841	36,675,667	" - - "	3,973,
1842	37,355,911	" - - "	4,068,
1843	40,393,393	" - - "	4,407,
1844	41,363,770	" - - "	4,534,
1845	44,193,433	" - - "	4,833,
1846	46,740,344	" - - "	5,112,
1847	46,314,821	" - - "	5,066,
1848	48,734,789	" - - "	5,329,
1849	50,021,576	" - - "	5,471,
1850	51,172,302	" - - "	5,596,
1851	53,985,112	" - - 2 plus	5,962,
1852	54,724,613	" - - 5 p. ct.	5,965,
1853	58,234,087	" - - "	5,683,
1854	61,953,041	" - - 1 10	4,780,
1855	63,429,286	" - - 1 6	5,310,
1856	63,278,212	" - - 1 9	5,536,
1857	69,159,843	" - - 1 5	5,060,
1858	73,217,433	" - - "	5,186,
1859	76,303,661	" - - "	5,404,
1860	76,816,394	" - - "	5,441,
1861	77,927,749	" - - "	5,519,